Theewaterskloof
Municipality

Theewaterskloof Local Municipality

Long Term Financial Plan: 2015 – 2024

DRAFT VERSION 2

INCA
Portfolio Managers

Prepared by
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EXECUTIVE SUMMARY

"He has shown kindness by giving you rain from heaven and crops in their seasons; he provides you with plenty of food and fills your hearts with joy."

Acts 14:17

1. The outcome of this assignment makes a contribution towards the 10 year long term financial plan of the Theewaterskloof Local Municipality ("TWK"). It is not "THE PLAN" but informs the plan that the municipality has to prepare and adopt.

2. The Independent Financial Assessment of TWK was prepared by INCA Portfolio Managers with the latest financial information as at 30 June 2014 and this report is attached as Annexure 1. The report also includes a summary of the latest available information on demography, economy and household infrastructure of TWK.

3. We have reviewed the Integrated Development Plan ("IDP") and other documents of the municipality and conducted interviews with the management of the municipality. This was done with the purpose of identifying material matters that could impact on the long term financial sustainability of the municipality as well as inform proposals regarding future policy directions.

4. We modelled the municipality's cash needs against the revenues it can expect to generate based on the economy and population of the sub-region, in an attempt to determine the affordability of future capital expenses.

5. A scenario analysis was undertaken and the results are summarised below:

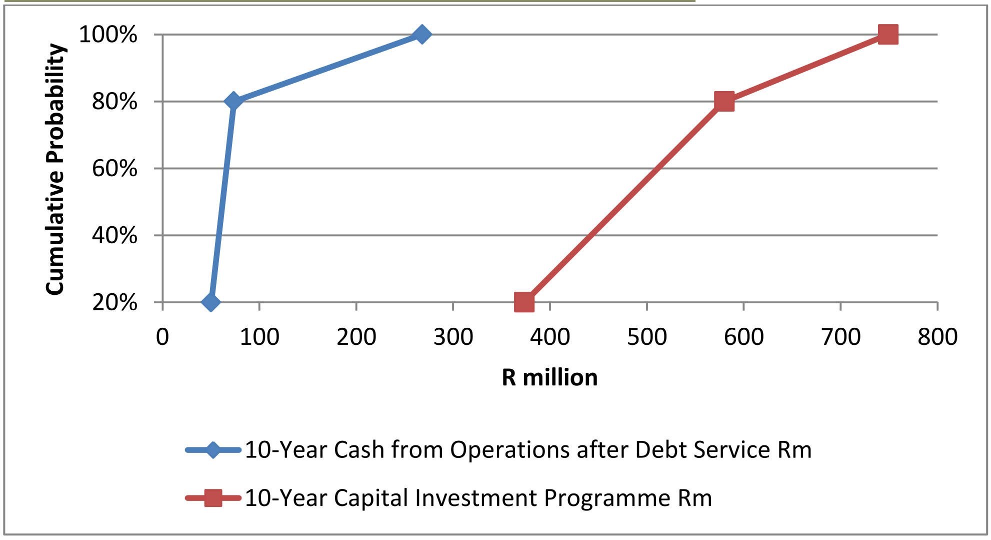
   We estimate that in the **Base Case Scenario**, with a probability of occurrence of 60%, the municipality will, over a 10 year period, generate cash from operations after debt service of R74 million and will be able to invest in a capital programme of R580 million.

   In an **Upside Scenario**, with a probability of occurrence of 20%, represented by a scenario in which economic growth favours the region, structural savings on the salaries and wages bill are effected and the collection rate is consistently above 90%, the municipality will be able to generate cash from operations after debt service of R268 million and will be able to invest in a capital programme of R749 million.

   In the **Downside Scenario**, represented by a total disinvestment of the Caledon Casino, with a probability of occurrence of 20%, the 10 year cash generated after debt service is R50 million and the capital investment programme is limited to R374 million.

6. If the “Upside” presents the upper- and the “Downside” the lower level of expected outcomes, then the cumulative probability curve of these outcomes is illustrated in the graph below.

GRAPH 1: PROBABILITIES OF OUTCOME OF SCENARIO ANALYSIS



7. After the completion of the updated financial assessment we conclude as follows:

   7.1. Agriculture, Trade and Community Services together contribute more than 55% of the local economy. Manufacturing also makes a significant contribution of 12.9%. The average annual economic growth rate during the recent past was disappointing. The seasonal labour market in the fruit producing sub-region and increasing mechanisation in the Agriculture sector as well as the threatening disinvestment of the Caledon Casino and its impact on the local economy holds inherent risks, and any efforts by the municipality to diversify the economy should be lauded.

   7.2. The regional economy and the ability of households to pay for services delivered by the municipality, rates TWK as a “Medium to High” risk on INCA’s Municipal Revenue Risk Indicator scale. There is a medium to high risk that the municipality will not be able to generate sufficient own revenue and will become even more dependent, than what it currently is, on subsidies and grants from other spheres of government.

   7.3. The relatively low population growth rate of 0.9% p.a. currently, which is the lowest of all municipalities in the district, is to an extent offset by a relatively low official unemployment rate of 16.8%. Due to significant numbers of seasonal workers that only work for parts of a year the unofficial rate would appear to much higher.

7.4. The municipality has installed infrastructure that provides a high level of service to its residents. This is borne out by an Infrastructure Index of 0.85. In 2013, the provision of all the four infrastructure services, viz. Water, Sanitation, Electricity and Refuse Removal, lagged that of Overberg District Municipality as a whole however. An improvement in the provision of services was seen across the district including TWK.

7.5. The historic average annual growth rate of household formation of 3.1% p.a. will have a future impact on the level of service delivery and expenses associated with the operations and maintenance of infrastructure provided. The policy decisions of the Provincial Government to further support the provision of low income housing on the western fringes of the municipality, in the absence of clear employment opportunities, should be questioned as it places a further burden on the municipality in its efforts to maintain its current high level of services .

7.6. The municipality holds R 160 million worth of Investment Property on its balance sheet. It should be an objective of the municipality to investigate the potential revenue that could be unlocked from either the sale of assets or development opportunities.

7.7. Gearing levels peaked at 51% in 2011/12 before debt levels flattened over the past two financial years. Positively the gearing level has reduced to 40% in 2013/14. Without a clear projected future positive trend in revenue generation , the municipality faces a challenge to utilise this funding source in the medium term.

7.8. The long term portion of provisions for Employee Benefits has sharply increased from R 20 million in 2008/09 to R 69 million in 2013/14.

7.9. The liquidity position of the municipality has been under pressure with levels varying above and below the minimum benchmark of at least 1:1 of current assets covering current liabilities over the past 5 financial years. Positively the ratio has improved in the past financial year to 1.2:1, but it is important that this level be stabilised and improved upon annually.

7.10. One of the municipality’s greatest challenges is to improve its ability to collect debtors’ accounts, as the ratio remains below 90% throughout the review period. This is considered to be at unhealthy and unsustainable levels.

7.11. The increase in revenue has generally been closely correlated by the increase in expenditure, although a healthy and positive gap has been reported in the past financial year. In addition the municipality has shown the ability to improve the level of cash surpluses generated over the past three financial years.

7.12. The municipality primarily generates its income from the services rendered to its consumers contributing 39% to total revenue, the municipality is however highly grant dependent receiving 30% of its income from Equitable Share and Conditional Operational Grants. This makes the municipality highly vulnerable to any changes in fiscal policies and transfers.

7.13. Increases in billed income have generally been above the inflation rate and could become unaffordable to the consumers.

7.14. With regards to expenditure management, TWK's greatest challenge is to optimally manage its human resources budget. The Salaries, wages and allowances were managed downwards as the expense ratio has decreased from 40% to 34%. As the largest expense of the municipality, this will remain a key performance management area to manage productivity against costs.

7.15. Repairs and maintenance was managed at a level of 5% of Total Expenditure; there is however room to consider increasing the allocation to a level of 7%-8%.

7.16. Healthy surpluses are posted on Electricity Services although the municipality shares the provision of this service with ESKOM. On the other hand Water Services are being managed at a break even position. It would be preferable for the municipality to provide electricity to more of its constituents and provide Water Services at a surplus.

7.17. Historically there have been large swings in working capital, which has now stabilised in the past two financial years.

7.18. The municipality has invested R 497 million into capital infrastructure since 2004/05, funded mainly by capital grants (49%), external borrowing (27%), own cash generated (19%) and the sale of fixed assets (5%). The bulk of investments made were into infrastructure assets required to serve the community.

7.19. The municipality does not meet the recommended liquidity requirement at present, although some improvement can be noted in liquidity over the past two financial years. (As a measure of adequate liquidity it is proposed that the municipality at all times maintain sufficient available cash and investments to cover all unspent conditional grants, short term provisions, any cash backed funds and reserves and at least one month of operational expenditure (excluding non-cash expenses).

7.20. The municipality has managed its credit score within the BBB-band with levels dropping significantly between 2008/09 and 2011/12, approaching non-investment grade. Positively the municipality has recovered to a healthy BBB+

level which should be maintained and improved upon to ensure that it will attract investors considering that the municipality needs to continue accessing borrowings.

7.21. The recently approved Medium Term Revenue and Expenditure Framework is considered conservative and it is most likely that the municipality will maintain if not improve upon its financial position.

8. We formulate recommendations based on the outcome of our assessments, discussions with Executive Management of the Municipality and Capital Investment Model and propose that these are adopted for inclusion in the municipality’s long term financial plan:

8.1. Facilitate Economic Development & Diversification

TWK exhibits a vulnerable economy. The largest sector, viz. Agriculture is mechanising and shedding labour. Although wages are increasing which in turn increases the potential for local spend, the number of wage earners is decreasing consistently. Work in the Grabouw, Botrivier and Viliiersdorp region is seasonal of nature. Ideally a sector that can absorb labour, possibly agro processing or other light industry should be promoted.

We recommend that the Theewaterskloof LM intensifies its efforts in facilitating the diversification of the local economy.

8.2. Review the Housing Provision Policy

The historic growth of household formation will have a future impact on the level of service delivery and expenses associated with the operations of services and maintenance of infrastructure. The policy decisions of the Provincial Government to further support the provision of low income housing on the western fringes of the municipality, in the absence of clear employment opportunities, is questioned.

We recommend that the Theewaterskloof LM enters into a conversation with the provincial authorities to provide housing elsewhere in the province closer to potential employment opportunities or at the very least reduce the level of service of infrastructure to affordable levels.

8.3. Advocate for the re-demarcation of Grabouw

The economy of TWK is not large enough to accommodate and employ ever increasing numbers of indigents. Grabouw in particular is identified as a town where investment in infrastructure and housing away from potential employment opportunities in Cape Town is questioned. The economy of TWK cannot afford ongoing migration of indigents and concomitant housing developments at Grabouw. Already the equitable share grants exceed the own revenues of the municipality. The MIG funds are barely enough to augment the bulk infrastructure and TWK cannot afford the implementation of social infrastructure in these areas. Future repairs and maintenance costs of the newly installed infrastructure will have to be carried by the rate payers of TWK who have their own needs for upgrading and replacement of infrastructure that cannot be afforded by them.

We recommend that the Theewaterskloof LM initiates a process of negotiations of incorporating Grabouw into the jurisdiction of the City of Cape Town, which is better resourced to address the needs of indigents.

8.4. Become EKOM's Agent for Distribution of Electricity

The collection rate in the different towns (excluding rural areas) is highest in those towns where TWK provides the electricity, viz. no less than 91% (Riviersonderend) and a high of 98% (Caledon). In those towns where ESKOM is the direct distributor, the collection rate is as low as 43% (Genadendal) and not more than 78% (Botrivier). There is a direct correlation between electricity distributor and collection rate. Even more frustrating is the fact that the surplus on electricity in areas where TWK distributes is used to cross subsidise areas where ESKOM is the distributor.

We recommend that the Theewaterskloof LM explores the possibility, from a cost benefit perspective, of acting as agent for ESKOM in areas where ESKOM currently distributes electricity. The institutional arrangements will have to be negotiated collectively by participating in processes of SALGA.
SALGA and Eskom have committed to engage in a process of active partnering for the purpose of establishing a cooperative and collaborative working relationship which seeks to work towards bringing about the long term sustainability of electricity reticulation by addressing both electricity distribution industry issues in general, and the specific operational challenges impacting delivery of electricity to end users. A Partnering Agreement was signed in November 2014.

8.5. Prioritise Projects

In nominal terms the municipality can afford a 10-year capital investment programme of app. R580 million. The demand already exceeds this amount by more than R700 million.

Whereas the asset register provides guidance on the assets that need replacement, a clear prioritisation of future new infrastructure projects must be undertaken. The municipality should not neglect the replacement of its existing assets and a prioritisation should compare the need for new infrastructure with the need of replacing existing infrastructure.

Rationalising the prioritisation of projects can be achieved by introducing a model with decision making criteria and weighting each of these when comparing projects with each other. Typical criteria include:

- Meeting strategic objectives
- Meeting master plan objectives
- Project dynamics, viz. funding source, roll-over from previous years, etc.
- Project Consequence, viz. impact if project is not implemented
- Other criteria

8.6. Unlock the Balance Sheet by Selling Investment Property

The municipality holds R160 million worth of Investment Property on its balance sheet. We have modelled the sale of investment property, the proceeds of which will be applied towards capital expenditure.

We recommend that the municipality proactively pursues unlocking its balance sheet for purposes of capital investment through the sale of assets or promoting development opportunities, by leveraging off the land that it makes available for development at negotiated terms.

8.7. Improve Communication

Evidence suggests that developers who showed an interest to develop in the area were alarmed by recent community protests - a counterproductive action in the light of a potential economic stimulus.

Also, it is revealing to hear of an increase of economic activities in Botrivier. Examples of a retirement village, private industrial area, mushroom factory, paper packaging, the revitalisation of the PRASA railway line and events promoted by the local hotel are all indications of the potential for growing economic activities in the area.

We recommend that the Theewaterskloof LM communicates the positive stories that are happening in the region as well as the negative implications of counterproductive community protests.

8.8. Increase Tariffs to Fund the Capital Replacement Reserve (“CRR”)

The cash generated by the municipality currently is not sufficient to fund a CRR and whereas tariffs reflect the underlying cost structure, no provision is made in the tariff structure for the depreciation charge of assets.

Ageing infrastructure that would – but for the lack of funding – have been replaced already, lack of capacity of certain bulk infrastructure assets and pipe networks that are generally in a poor condition are constraining further development.

We recommend that tariffs are progressively increased to also include a depreciation charge that can be used to fund a cash backed CRR which in turn can be applied towards the funding of the replacement of ageing infrastructure. In the light of the relative low household income levels this should be attained through a judicious review of the tariff structure by charging high consumers progressively more per unit of consumption, than low consumers.

8.9. Adopt a Municipal Viability Framework

Healthy Liquidity is considered the key factor to effectively manage the financial viability of Theewaterskloof in the longer term in conjunction with the necessary financial ratios against which to monitor actual performance. The framework provided in paragraph 10 presents ratios within which to manage liquidity, operational performance and external gearing. The indicators provided are interrelated as the weakness in one could be the reason another is limited and therefore the combined performance in terms of all indicators needs to be considered to actively monitor financial performance and against these indicators the turn-around in performance can be measured and reported on to Management, Council and key stakeholders.

We recommend that the municipality adopt the proposed Municipal Viability Framework for quarterly reporting to the Executive Council and Management.

8.10. Adopt a Liquidity Policy

We recommend that Theewaterskloof LM adopts a Liquidity Policy (a draft of which is included in Annexure 6 hereto), that in essence requires the municipality to:

- Maintain a quick liquidity ratio of at least 1:1.
- Maintain a cash backed liquidity reserve of at least one month’s operational expenses in addition to maintaining reserves for unspent conditional grants, short term provisions and cash backed reserves.

- Sufficient provisions need to be made in cash for the escalation in short term provisions for employee benefits.

8.11. Adopt a Borrowing, Funds and Reserves Policy

We recommend that Theewaterskloof LM adopts a Borrowing, Funds and Reserves Policy that in essence requires the municipality to:

- We recognise that the cash position of the municipality will in the short term prevent funding a Capital Replacement Reserve ("CRR"), but we recommend that the municipality adopts the objective - and work towards annually transferring to the cash backed CRR the sum of Depreciation Charges, Proceeds of the Disposal of Capital Assets and Bulk Services Contributions as far as the sum hereof is cash funded.
- Avoid depleting its CRR in any given financial year by annually allocating to the capital budget only 50% of the sum of the opening balance plus the current years contribution
- Make prudent use of external gearing at a recommended level of 20% of Total Operating Revenue and no more than 30%.

8.12. Increase Revenues and Manage Expenses

The municipality will become increasingly dependent on transfers from National Government (viz. Equitable Share) due to the increasing indigent population. It is however essential that the municipality increases its own revenue by more than the CPI rate on average by (i) identifying new revenue sources, (ii) selling a greater quantity of services and (iii) increasing rates/tariffs[1].
The municipality manages its expenses prudently and we recommend that it ensures that annual increases are reflected in tariffs and fees.

We recommend that Theewaterskloof LM boosts the Financial Sustainability Steering Committee ("FSSC") that it has set up to address cost saving measures and secure income for the municipality. The municipality should consider incentivising staff that suggest practical cost saving and revenue enhancing measures, including additional income sources.

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[1] A concerted effort to improve the collection rates to at least 95% in Botrivier and those towns where TWK distributes electricity could generate an additional R3 million cash p.a. which could service additional debt of R20m which could be used for capital investment.

8.13. Control over Salaries and Wages Budget

Notwithstanding the productivity of the administration as measured by the Salaries and Wages Bill per Capita and the organisational restructuring that is currently underway (refer to the SA Business Hub (Pty) Ltd investigation) it is essential to continuously explore saving on the Salaries and Wages Bill as this is the largest single expense item.

We recommend that management introduces strict control to avoid new positions being budgeted for and then not being filled and attempt to rationalise the staff complement continuously over the period of 10 years in an attempt to save on the Salaries and Wages Bill.

8.14. Make Provision for Rehabilitation of Land Fill Sites

It is expected that R30 million will be required to rehabilitate existing land fill sites in the next 10 years.

We recommend that the Theewaterskloof LM makes timeous provision for the rehabilitation expense.

8.15. Explore Alternative Funding Mechanisms

Notwithstanding the fact that there is no magic wand that would allow a significant increase in capital spending without an increase in revenues, regardless of the funding mechanism applied, it would be prudent for TWK to explore alternative funding mechanisms, especially in the light of (i) the front ended capex demand and (ii) the need for capex in the “Non-Grant” areas of the municipality.

- In future, invitations for new debt should in addition to the plain vanilla amortising loans also invite proposals for refinancing and rescheduling of existing debt, longer tenors, back ended sculpting of capital repayments (long periods of capital grace periods) and even explore the appetite in the market for an interest payment moratorium. The municipality should however be prepared to demonstrate to potential lenders its intent to implement policies and strategies similar to those listed in these recommendations and offer security such as cession of certain revenue streams.

- Affordability concerns and small scale of potential PPPs make the successful implementation of this model doubtful. However, the municipality may want to consider the appointment of a transaction advisor who will assess the alternatives in detail before approaching the market for proposals. The municipality is reminded of the regulatory processes that need to be followed in such an event.

8.16. Implementation of Recommendations

We also propose that our recommendations that the municipality agrees with are allocated to staff to implement as part of their key performance measures and that the Municipal Manager oversees this cross cutting “Project”.

1. INTRODUCTION

1.1. This report is the outcome of an assignment undertaken by INCA Portfolio Managers ("INCA") for the Theewaterskloof Local Municipality ("TWK"). The objective of the assignment is to make a contribution towards a proposed 10-year long term financial plan of the municipality.

1.2. In this assignment we have included a historic financial assessment of the municipality with the financial information up to 30 June 2014.

1.3. Based on a review of the Integrated Development Plan of TWK (3rd generation IDP 2012 - 2017) and various other documents made available by the municipality as well as interviews with the management of the municipality we reflect on the capital investment requirements as well as proposed future policy directions of the municipality. The capital demand, consisting of asset replacement costs (quantified pursuant to an analysis of the Asset Register) and new capital investments (quantified mainly with reference to the provincial support team document *Major Infrastructure Requirements and Funding Overview*; 2nd Generation 30 July 2014), is evaluated against the capacity of the municipality to afford these future capital expenses. In the evaluation we estimate the potential future municipal revenues based on the economy and population of the sub-region. These revenues will in turn inform the funding mix that the municipality can access to finance its future capital needs.

1.4. In our conclusion and recommendations we reflect on the outcome of the studies in this report, highlight some of the material issues identified and make very specific proposals regarding the 10-year financial plan, financial strategies and policies to be adopted.

1.5. The following sources of information have been scrutinised and taken into consideration in the conclusion of the Independent Financial Analysis and the development of this Long Term Financial Plan:

a. Financial Statements from 2004/05 to 2013/14
b. Medium Term Revenue and Expenditure Framework: 2014/15 to 2016/17
c. Integrated Development Plan of TWK (3rd Generation 2012 – 2017)
d. Major Infrastructure Requirements and Funding Overview; 2nd Generation 30 July 2014
e. Various other documents provided by the municipality (where relevant)
f. Economic data extracted from IHS Global Insight ReX

2. PERSPECTIVE

2.1. A detailed *Independent Financial Assessment against the Background of the Municipality's Demographic, Economic & Household Infrastructure Situation, 2013/14*, is attached hereto as Annexure 1. The paragraphs below provide a summary of the perspectives that will inform the proposals and recommendations in this report.

Spatial & Demographic Perspective

2.2. TWK has a total population of almost 109 000 (2013) people which represents 42% of the population living in the Overberg DM. This is the highest population figure of the four municipalities in the district.

2.3. TWK's current population growth rate of 0.9% p.a. is the lowest of all municipalities in Overberg.

2.4. TWK's current annual per capita income is R 39 457, which is the lowest of the four municipalities in Overberg.

2.5. The economic active population[2] in TWK is 45.3% of the population. The official unemployment rate is 16.8%, which is the second highest unemployment rate of the four municipalities in the District.

Economic Perspective

2.6. TWK's total gross economic value add ("GVA"), which reflects the monetary value of the local economy is R 5.24 billion per annum in current prices or R 2.97 billion in constant (2005) prices with the following sectors making a contribution:

TABLE 1: SECTOR SHARE OF TOTAL: THEEWATERSKLOOF LM

	2004	2013
1 Agriculture	27.8%	25.9%
2 Mining	0.4%	0.4%
3 Manufacturing	14.1%	12.9%
4 Utilities	7.0%	7.3%
5 Construction	4.2%	5.3%
6 Trade	14.8%	15.2%
7 Transport	7.1%	7.2%
8 Finance	10.3%	10.7%
9 Community services	14.5%	15.0%

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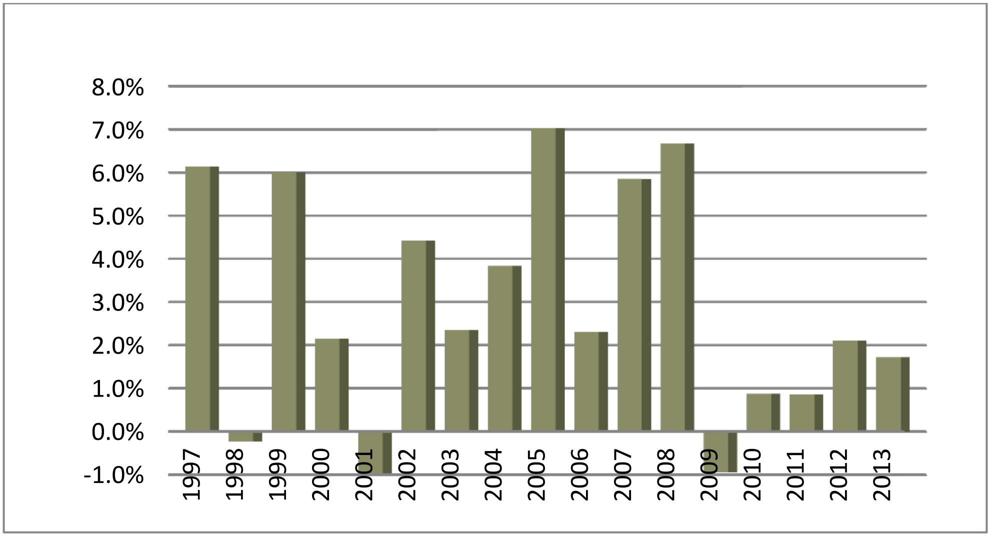
[2] Economically Active Population (EAP): The economically active population (EAP) is defined as the number of people who are able, willing and who are actively looking for, work and who are between the ages of 15 and 65. It thus includes both employed and unemployed people.

2.7. Agriculture, Trade and Community Services together contribute more than 55% of the local economy. Manufacturing also makes a significant contribution of 12.9%.

2.8. Currently the amount of spending related to tourism (leisure, business, people visiting family and friends and other) is in the order of R0.35 billion per annum, which represents 7% of the GVA of TWK. (This excludes any capital expenditure such as the construction of holiday homes). Although the number of visits has declined in recent years the total tourism spend has been increasing over the past three years.

2.9. The average annual GVA growth rate for the period since 1997 is 2.9% p.a., but with the cyclical characteristics that the national economy is subjected to. The average growth rate in the past 5 years was a disappointing 0.9% p.a.

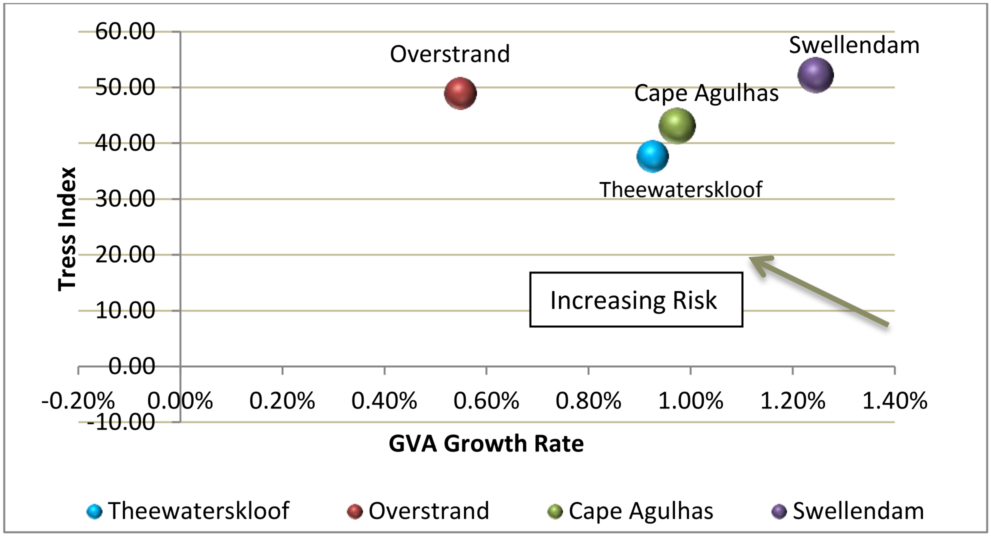
Graph 2: TWK LM: Annual Average GVA Growth Rate % p.a.



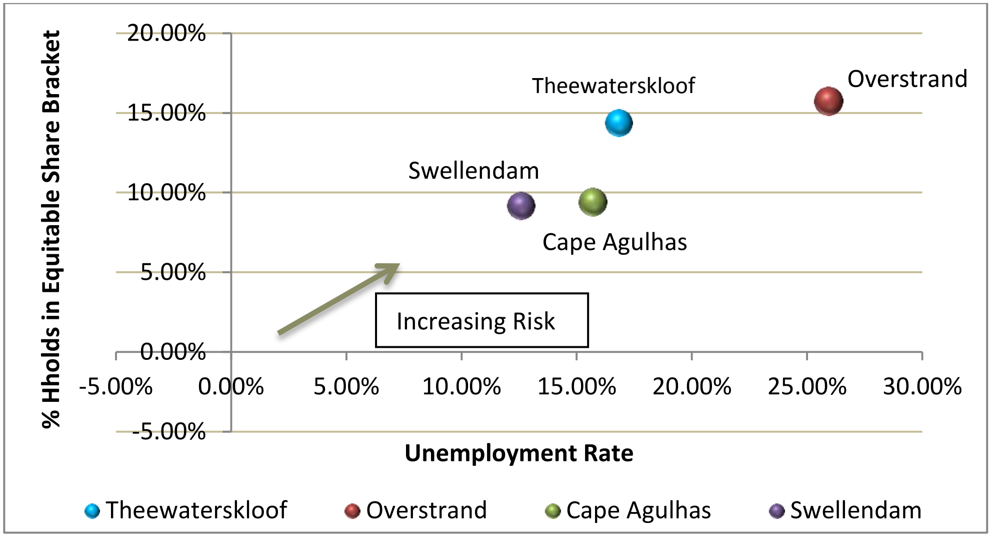
2.10. INCA has developed the Municipal Revenue Risk Indicator (“MRRI”), which measures the risk of a municipality to generate its own revenues. This risk is on the one hand a function of the economy (GVA, Tress Index and GVA growth rate) and on the other a function of households’ ability to pay (measured by the % of households with income in the equitable share bracket, unemployment rate and Human Development Index).

2.11. The regional economy and the ability of households to pay for services delivered by the municipality, rates the TWK LM as a “Medium to High” risk on INCA’s Municipal Revenue Risk Indicator scale. There is a medium to high risk that the municipality will not be able to generate sufficient own revenue and is increasingly dependent on subsidies and grants from other spheres of government. The following graphs illustrate TWK’s relative position in comparison to other local municipalities in the district.

GRAPH 3: OVERBERG DM: COMPARATIVE ECONOMIC RISK



GRAPH 4: OVERBERG DM: COMPARATIVE HOUSEHOLD ABILITY TO PAY RISK



Household Infrastructure Perspective

2.12. The Infrastructure Index for TWK increased from 0.82 to 0.85 in the period from 2004 to 2013. This is in comparison to a national improvement from 0.66 to 0.72 and an improvement in Overberg from 0.85 to 0.87 in the same period.

2.13. In 2013, the provision of all the four infrastructure services, viz. Water, Sanitation, Electricity and Refuse Removal, lagged that of Overberg District Municipality as a whole; however an improvement in provision was seen across the district including TWK.

2.14. Very formal (70.7%) and Formal (11.2%) together constitute 81.9% of dwelling types in the municipality. Informal dwellings constituted 18.1% in 2013.

2.15. In TWK the percentage of households with access to a level of service of RDP or higher is lower than the percentage of households with income above the Equitable Share Bracket, i.e. 84.8% vs. 85.6%. The gap is an insignificant 0.8 percentage point. This gap indicates a good balance between level of service and household income on average.

Financial Perspective

2.16. Reflecting on the historic financial performance it is important to take into consideration the financial strengths and weaknesses of TWK as documented in the Independent Financial Analysis attached in Annexure 1, as this will inform the Long Term Financial Plan.

2.17. TWK has accumulated R 120 million from Accounting Profits over a term of 10 years and R 109 million in real Cash Surpluses. Over the same period TWK invested R 497 million into Capital Infrastructure. This was financed by means of Capital Grants totalling R 262 million, Own Cash Reserves of R 67 million, External Financing of R 143 million and R 25 million from the Sale of Fixed Assets. Limited use was made of the Sale of Fixed Assets to fund Capital Investment. In essence TWK used 62% of the cash generated in the past ten years to partially fund its capital infrastructure, investing 38% back into cash reserves.

2.18. Interest Bearing Debt in the form of loans has steadily increased from below R 50 million prior to 2008/09 to levels above R 100 million. External gearing peaked at 51% of Total Operating Revenue in 2011/12. Levels have flattened over the past two financial years to 40%. On the other hand however Provisions for Employee Benefit Obligations have sharply increased to R 91 million. In particular the Short Term Provisions have increased from R 3 million to R 22 million. TWK is fortunately in a position to cash back these provisions, however the escalating trend will have to be monitored going forward.

2.19. The relationship between Current Assets and Current Liabilities has fluctuated over the past 5 years with Current Liabilities exceeding Current Assets at times. The acceptable norm is at the very least 1:1, but preferably closer to 2:1. Liquidity has positively improved from 0.79:1 in 2011/12 to 1.21:1 in 2013/14. However when debtors older than 30 days are removed from the calculation, liquidity deteriorates to 0.8:1. It is recommended that TWK ensure that its liquidity is improved to at least the minimum levels through the adoption and implementation of a Liquidity Policy (draft attached hereto for consideration).

2.20. Unspent Conditional Grants were efficiently managed as levels reduced to below R 1 million and not exceeding R 10 million historically.

2.21. Over a period of 10 years the Gross Consumer Debtors have increased by R 64 million. In 2013/14 R 54 million of bad debts were written off, an indication that 84% of Consumer Debtors have not been collectable over the past 10 years. Debtors control is considered a key performance area for improvement, as the collection level has remained under 90% throughout the analysis period. Positively the municipality makes adequate and prudent provision for bad debts which means Net Debtors are maintained at stable levels. Annual increases in billed income have been far higher than inflation and could become unaffordable for the Consumers.

2.22. Growth in Total Expenditure was managed effectively against the growth in revenue as Total Income grew by 184% (R 284 million) over 10 years whereas Total Operating Expenditure grew by 154% (R 231 million).

2.23. TWK has posted annual Accounting Surpluses with the exception of a deficit in 2011/12. Furthermore, TWK has shown the ability to generate Cash Operating Surpluses in 7 of the 10 financial years studied. The historic levels were low, but have positively increased over the past three financial years.

2.24. TWK’s three main sources of own revenue are derived from Electricity (16%), Water (9%) and Property Rates (14%). Equitable Share and Conditional Operating Grants make a significant contribution of 30% of Total Operating Revenue.

2.25. Employee Costs (34%) and Electricity Bulk Purchases (11%) are TWK’s largest expense items, collectively totalling 45% thereof.

2.26. Repairs and maintenance has been relatively flat at 5% of Total Operating Expenditure. Levels are considered reasonable with room to increase allocations to 7%-8%. This allocation should be revised in line with the required investment needed to ensure the health of the Infrastructure Assets.

2.27. Gearing has reduced to 40% (Total External Loans in relation to Total Operating Revenue), but is still considered high. The MFMA indicates that a maximum acceptable level should be no higher than 45%. However it is proposed that TWK adopt a Borrowing, Funds and Reserves Policy (draft attached for consideration) to govern the prudent use of external funding within in a band of 20% to 30% subject to the Liquidity Policy being maintained. The use of external gearing on this basis will enable TWK to utilise financing within more prudent levels.

2.28. Although TWK provides Electricity at a positive margin, it is concerning that Water Services are provided at only a break even position.

2.29. The gap between external interest paid on loans and interest received on investments has slowly but positively been narrowing. The cash and investment levels have increased in the past two financial years and it is recommended that TWK ensure that a reasonable return is made within the prescribed Municipal Investment Regulations.

2.30. TWK has managed to invest R 497 million into Capital Infrastructure in the past 10 years. It has optimally utilised all sources to its avail with the exception of the sale of fixed assets.

2.31. A Minimum Liquidity Policy is recommended to ensure that Theewaterskloof at all times holds sufficient Cash and Investments to provide for all statutory requirements, which include:

2.31.1. Cash backed reserves;
2.31.2. Short term provisions;
2.31.3. Unspent conditional grants;
2.31.4. And at least one month of operating expenditure.

As at 30 June 2014, TWK was not able to meet this prescription and an additional cash injection of R 23 million is required to comply with this proposal.

2.32. TWK has been able to manage its credit score within the BBB Band for more than 10 years. The score did hover around very low levels before improving steadily over the past two financial years to BBB+, demonstrating the ability of management to implement sound financial practices. TWK should maintain and improve upon this position to ensure it maintains access to external funds in future.

3. ISSUES IDENTIFIED

3.1. The list below is the result of a synthesis of issues identified during interviews conducted with representatives of each Directorate on 12 and 13 November 2014. These matters were raised by officials of the Municipality and provide valuable insight into the environment within which the Municipality operates. The observations of the officials and interpreted by INCA for purposes of this report, provide insight into material issues that may impact on the longer term financial position of TWK LM.

3.2. Economic Development

TWK exhibits a vulnerable economy. The largest sector, viz. Agriculture is mechanising and shedding labour. Although wages are increasing which in turn increases the potential for local spend, the number of wage earners is decreasing consistently. Work in the Grabouw, Botrivier and Viliiersdorp region is seasonal of nature. Ideally a sector that can absorb labour, possibly agro processing or other light industry should be promoted. Whereas labour intensive projects to the value of R500 million were implemented in the region in the recent past, management identified the need for improved skills and work ethic amongst locals.

TWK is a small player in the economy of the greater Cape Town functional region. This is demonstrated by a net number of employment opportunities, school attendance and retail spend outside TWK. Skilled management, seasonal workers and retirees also have linkages with areas outside of TWK[3].

A review of the municipality’s draft LED strategy reveals that the strategy is based on 3 pillars, viz. retaining agriculture, growing tourism and developing the light industry manufacturing sector. The objective is to maintain sustainability and develop the human capital. This integrated development goal should however not stand in the way of generating activities and households that can pay their property rates.

Evidence suggests that developers who showed an interest to develop in the area were alarmed by recent community protests - a counterproductive action in the light of a potential economic stimulus.

Municipal management is aware of the possibility that the Caledon Casino will lose its gambling license in favour of another more lucrative location. However, it does not see this event as disastrous as the current attraction is more of a property development that offers not only gambling opportunities, but also accommodation and a spa experience at its renowned hot water springs.

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[3] Local Economic Development Strategy; Theewaterskloof Municipality; July 2009

A R5 million technical assistance grant from the DBSA provided support for developing a tourism strategy. The focus is on tourism which is not dependent on large investments in bulk infrastructure.

Whereas tourism, after agri-processing, is regarded as the most important sector it requires investment, if not by the municipality, then by private investors. The so-called Hemel-and-Aarde road connecting Hermanus and Caledon will open up tourism opportunities. Whereas a number of natural resources are prevalent in the area, viz. nature reserves and people, the funds to exploit these are not available.

Future developments are possible in Caledon, Grabouw, Botrivier and Villiersdorp. Private developers are considering a Caledon Flight Park (residential aerodrome development) in future. Whereas housing and industrial developments require investment in bulk infrastructure, the expensive land costs would reduce the margins that developers could earn in the event that the bulk contributions were too excessive.

The relative low wages prevalent in Caledon - in comparison to those paid in Cape Town - makes investment in the textile industry attractive, but is limited by the current capacity of the waste water treatment plant.

Whereas Caledon is well served by a good public hospital and schools, the lack of an English medium school and private hospital was identified as a constraint in attracting investors. There is an expectation that the development of a private hospital with an oncology unit will not only attract patients from all over the rural areas (farms) but also make the development of retirement villages in Caledon attractive.

The provision of government services, e.g. SARS is constrained by the limited broadband capacity in Caledon.

The municipality processes building plan applications originating mostly from the farms, but found the interest for development in Botrivier revealing. Management believes that this positive fact should be communicated more expressly. Examples of a retirement village, private industrial area (Donderkop), mushroom factory, paper packaging, the revitalisation of the PRASA railway line and events promoted by the local hotel are all indications of the potential for development in the area.

It would appear as if TWK is caught up in the proverbial “chicken and egg” situation. The relative poor households as evidenced by the low household income (when compared to the district and province) and need to provide for ever increasing number of indigent migrants, limits the funds available for upgrading of essential infrastructure required to attract new investment into the area. As a consequence the unemployment rate remains high and the household income low.

3.3. Growing Number of Indigents

The uncontrolled influx of indigents into the area, which is already one of the poorest in the Western Cape, was identified by the municipality as one of the significant risks.

TWK has a proven record of housing development. It was able to invest R77 million of government subsidies - more than any other municipality in the province. It is currently implementing 9 projects at a time – one of the reasons why a Project Management Unit (“PMU”) is being capacitated. This efficiency however has a downside in that the developments attract more migrants and the need, in turn, to accelerate developments. It also develops a culture of dependency by the beneficiaries who are increasingly dependent on the hand outs by government. The growing number of households associated with these housing developments demand services from the municipality which it is not equipped from a funding or staffing perspective to provide effectively. Uncontrolled squatting adds to the dilemma.

An interesting dynamic is playing itself out. The fruit producing regions in the Grabouw, Botrivier and Villiersdorp area employ large numbers of seasonal workers. It would appear as if these workers originate from Lesotho and the Eastern Cape and are prepared to work for a relatively low wage during their first season. After the end of the season the workers do not return home, but remain in the area and in the following season are demanding substantially higher wages, which the farmers reject. The farmers once again recruit workers from the originating countries and the cycle repeats itself with the concomitant increase in the number of indigents in the region. Municipal management recommends that a summit of all relevant stakeholders is convened to address the issue.

The economy of TWK is not large enough to accommodate and employ ever increasing numbers of indigents. Grabouw in particular is identified as a town where investment in infrastructure and housing away from potential employment opportunities in Cape Town is questioned. The municipality maintains that it implements the provincial SDF by developing a range of low income housing options in Grabouw, but questions the wisdom of doing so. It believes that the economy of TWK cannot afford ongoing migration of indigents and concomitant housing developments at Grabouw. Already the equitable share grants exceed the own revenues of the municipality. The MIG funds are barely enough to augment the bulk infrastructure and TWK cannot afford the implementation of social infrastructure in these areas. Future repairs and maintenance costs of the newly installed infrastructure will have to be carried by the rate payers of TWK who already have needs for upgrading and replacement of infrastructure that cannot be afforded by them. Municipal management believes that Grabouw should be incorporated into Cape Town which is better resourced to address the needs of indigents.

Management is divided in its views. Some support the province's requirement of using all instruments and developing a combination of all housing programmes. Others question the construction of top structures in areas that cannot support the employment of people.

3.4. Collection Rate

The collection rate was often at an unsatisfactory low level of below 90% in recent years. There are various reasons for this, including the conjecture that there are more indigents than actually appear in the data base. Already more than 50% of the income of the municipality consists of equitable share contributions received in support of indigents.

Concern was raised at the fact that meters were not read regularly, which limits collection of revenue and also prevents any detection of non-revenue water or electricity. Meters are read by municipal staff themselves. The municipality does not have the capacity to generate exception reports in the event of excessive usage. And it was suggested that these reports are prepared for submission to the CFO on a monthly basis. The legal processes of issuing summonses do not deliver the required results.

It is not surprising that the collection rate in the different towns (excluding rural areas) in October 2014 was highest in those towns where TWK provides the electricity, viz. no less than 91% (Riviersonderend) and a high of 98% (Caledon). In those towns where ESKOM is the direct distributor, the collection rate is as low as 43% (Genadendal) and not more than 78% (Botrivier). There is a direct correlation between electricity distributor and collection rate. Even more frustrating is the fact that the surplus on electricity in areas where TWK distributes is used to cross subsidise areas where ESKOM is the distributor.

TABLE 2: COLLECTION RATE IN DIFFERENT TOWNS

	No of Accounts	Collection Rate	Electricity Provider
Caledon	3 982	98%	TWK
Grabouw	6 287	69%	Eskom
Villiersdorp	2 187	97%	TWK
Riviersonderend	1 520	91%	TWK
Greyton	1 174	92%	TWK
Genadendal	2 190	43%	Eskom
Botrivier	1 769	78%	Eskom
Tesselaarsdal	532	59%	Eskom

Management proposes a package of interventions to improve the collection rate, viz.:

- Incentives to paying customers
- Verification of indigents, albeit that the capacity in the municipality to do so is limited. It was noted that the verification done by ward committees is not reliable.
- Undertake a data cleansing exercise. It was noted that due to delays in transferring stands to the beneficiaries, the actual residents in the houses need to be verified. Management advised that a tender was issued for this purpose and is expecting that 2 000 more indigent households will be identified.
- Encourage the transfer of land in Genadendal, which is still held in trust by the State, to the community so that the services provided by the municipality are recognised and paid for
- Following the resignation of the incumbent Head of Income at the municipality a strong and competent successor is required
- Support collective initiatives (through SALGA) to initiate credit control measures in areas supplied by ESKOM
- Assess the feasibility of introducing an integrated collection process, which combines collection with credit control, in conjunction with a private service provider who gets paid a success fee (See TOR for such a process attached hereto as Annexure 8: Rendering Debt Collection and Administrative Services to a Municipality)
- Alternatively introduce performance remuneration for staff of the municipality involved in collections (this approach needs to be considered with caution as the temptation exists to manipulate the system)
- In the event that the number of indigents exceed the number in the fiscal transfer model, advocate for a higher equitable share allocation

3.5. Management Model

TWK introduced a town management model some 8 years ago, which has produced good results if compared with the centralised model that existed previously.

Town management provides day-to-day services, including libraries, debtors clerks, cashier services, administrative services to the ward committees, operation, repairs and maintenance of local infrastructure. The other directorates stand in support of town management. The Technical Directorate provides infrastructure planning services and employs consultants and contractors to implement capital works.

Management maintains that the perception that this model is expensive is erroneous. Staff that the Technical Directorate would have to manage lives in the different towns in any case and are now managed by the Town Manager. The only additional staff includes the Town Managers and a Director Operations. An internal SLA between the Technical Directorate and the Town Management is in place. The decentralised system is claimed to enhance service delivery.

In certain instances management accedes that it would be more effective to manage technical staff centrally, e.g. in the event of maintenance of advanced technology at WWTW or WTW. The repairs and maintenance of routine work such as reparation of potholes or leaking pipes can be done locally. Recently the traffic services were centralised. Officers report to the line function and not the Town Manager.

The need to independently maintain the housing database, administer beneficiaries and communicate and interact with stakeholders has necessitated the centralisation of the Housing function.

An organisational restructuring assignment is currently underway and initial indications are that credit control may have to be decentralised. Also the emphasis will fall on client service and not on operational services. A PMU in the Directorate Technical Services is proposed that would manage the housing contracts.

3.6. Ageing Infrastructure

Ageing infrastructure that would – but for the lack of funding – have been replaced already and lack of capacity of certain bulk infrastructure assets (e.g. WWTW at Caledon) is constraining further development. The pipe networks are generally in a poor condition. Fibre cement pipes in Caledon are regularly springing leaks and sewage is spilt into the river.

Budgetary allowance for repairs and maintenance is not sufficient to maintain infrastructure adequately. Notwithstanding the limited funding available, the municipality has issued a 3-year tender for the maintenance of all pumps at pump stations to be pro-actively maintained. In most other instances the funding constraint results in re-active maintenance being undertaken.

The municipality's infrastructure plan addresses the replacement of infrastructure that has reached the end of its economic life as well as infrastructure needed to augment capacity for new development.

Bulk contributions received from developers cover the proportional capex of bulk infrastructure required for a development but not the entire cost of the bulk infrastructure augmentation resulting in a cash flow shortfall. Expecting the developer to pay all the expenses and recover the cost from future developments is seen as unacceptable.

3.7. Fleet Management

The ageing fleet is fast becoming unreliable and expected to influence service delivery negatively in the near future. Management is cognisant that the lack of funding is limiting the timeous replacement of vehicles with concomitant drop in service levels.

Management believes that the centralisation of the vehicle fleet would result in optimum results and has submitted proposals in this regard. The expectation is that the fleet can be reduced and that an internal "rental" would contribute towards a more efficient utilisation of existing assets.

Many vehicles in the existing fleet need replacing. The municipality has investigated several financing options, including outright purchase and rentals but views the latter option as too expensive.

3.8. Productivity

The observation was made that the current staff complement consists of a large number of managers who are operationally involved. This is due to understaffing in the lower levels due to posts not being filled which in turn limits the potential for shedding / rationalisation of staff numbers. In this regard and in the context of the functions it is expected to deliver, the shortage of staffing in the LED department was singled out.

Management believes that the potential for outsourcing, e.g. legal- and IT services is neither practical nor cost effective.

There is however a willingness to consider sharing services with the District, e.g. TWK could provide the legal processes for disciplinary actions. It would have been able to share the risk management services but the post is now vacant. In the IT department

TWK needs capacity. Other functions that could be considered include Officers of the Peace, fire services, grading of posts, HR evaluation, etc.

On the evidence of the refuse removal activity in Middleton and Tesselaarsdal which is provided cheaper by a private contractor, the expectation is that many functions could be contracted out more cost effectively. Examples of fixing of potholes and maintenance (grass cutting) of open areas were mentioned.

Management maintains that if the employment cost were to be converted to a cost per capita then TWK is more productive than neighbouring municipalities. This is borne out by a comparison of the ratio of the 2012/13 Salaries and Wages Bill to Total Population. In TWK this ratio is R1 060/capita in Overstrand R2 885/capita and in Cape Agulhas R2 121/capita. Although the ratio is expected to decline with an increase in population the fact that the TWK is half of Cape Agulhas and almost a third of Overstrand is revealing.

3.9. Financial Sustainability

Financial Sustainability was highlighted as the single most important focus area in a paper reflecting on a conference on the sustainability of TWK[4]. The outcome of the conference could easily be converted into strategies to be pursued by the municipality in future.

In a paper[5] that documents the “rules of the game and critical to the growth and development of the Theewaterskloof region” reference is made (in paragraph 5) to prioritising sustainability in everything the municipality does, using resources in a way that ensures they are still available to the next generation. The rules also identify “revenue enhancement” as essential.

It is consequently promising to learn that the municipality has set up a Financial Sustainability Steering Committee (“FSSC”) that addresses cost saving measures and secure income for the municipality. The municipality should consider incentivising staff that suggest practical cost saving and revenue enhancing measures, including additional income sources. In another document (page 9) generated by TWK[6] the solution is founded in expansion of the rates base (economic development), grant funding and fiscal policy review. This document, although dated somewhat, entails a number of excellent proposals that remain valid and should be pursued.

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[4] Outcome of the Conference on the Overall Sustainability of the Theewaterskloof Municipality as Observed and Interpreted by the Municipal Manager; Undated

[5] Second Draft Development Plan for the Theewaterskloof Municipal Region: 2030; HSD Wallace; Municipal manager; Undated

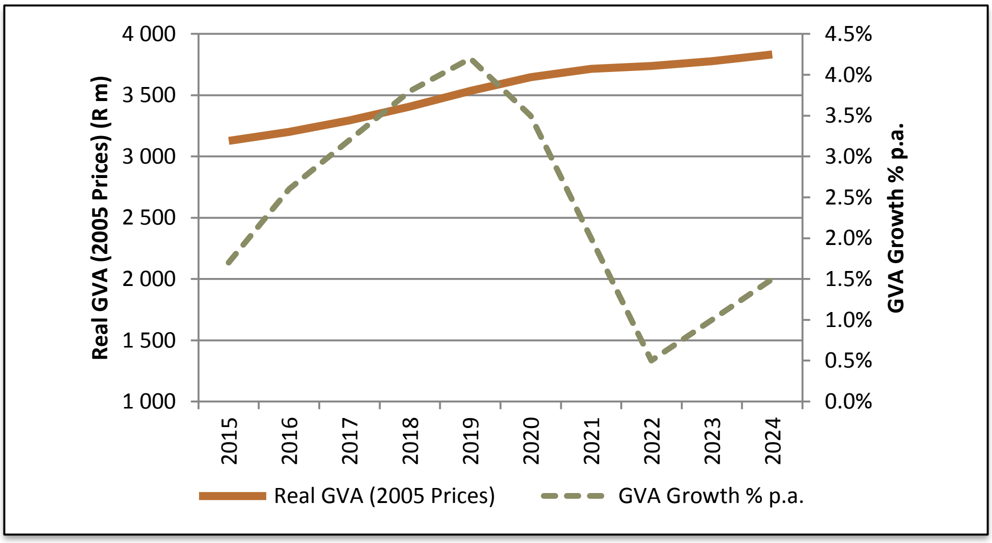
[6] The Financial Sustainability Challenge of the Theewaterskloof Municipality Recovery Plan; 6/9/2011 TWK MUN; Stan Wallace

4. FUTURE MUNICIPAL REVENUES

4.1. In proposing a long term financial plan, INCA estimated the future municipal revenues. This projection was done with reference to the research done by Schoeman[7].

4.2. The future Gross Value Add ("GVA") of TWK was estimated based on a view of the future economic growth of the region and the cyclical nature thereof as well as an estimate of future population of TWK. The graph below illustrates the Base Case GVA and GVA growth rates used in INCA's model:

GRAPH 5: THEEWATERSKLOOF LM: GVA FORECAST



4.3. The future Municipal Revenue was then calculated by employing the relationship between Municipal Revenues ("MR"), GVA and Population, i.e. MR = f (GVA, Population). This estimate was calibrated against the municipality's forecast of future revenues in its MTREF. The estimated 10-year municipal revenues (excluding grants) for TWK are illustrated in the graph below:

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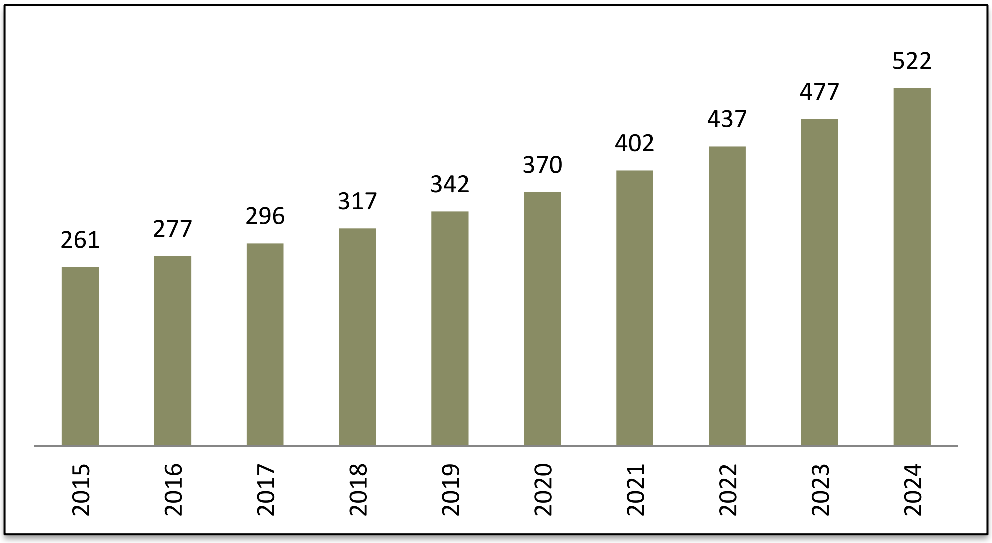
[7] *Fiscal Performance of Local Government in South Africa - an Empirical Analysis*; Niek Schoeman; UP 22 July 2011; https://editorialexpress.com/cgi-bin/conference/download.cgi?db_name=IIPF67&paper_id=40

GRAPH 6: THEEWATERSKLOOF LM: FORECAST NOMINAL MUNICIPAL REVENUE EXCL. GRANTS, RM P.A.

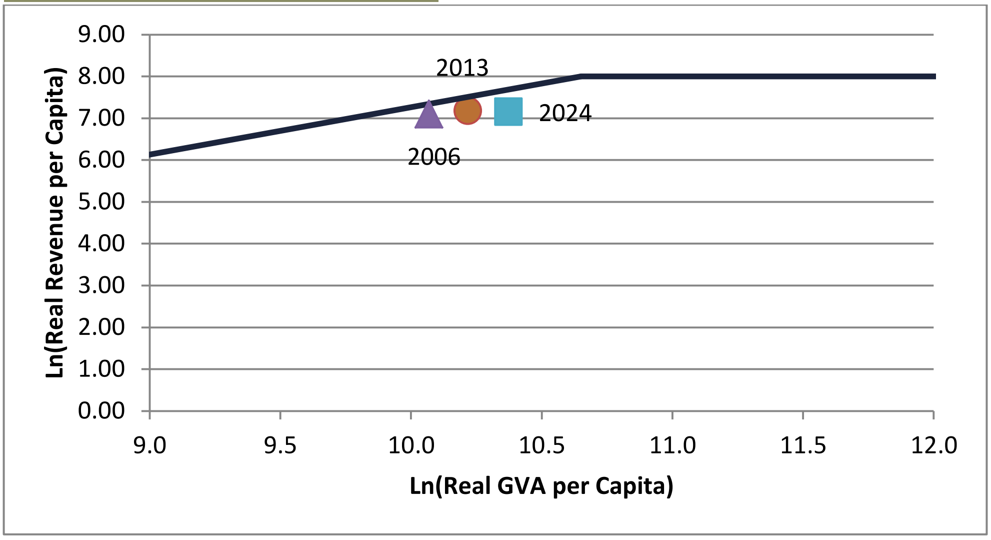


4.4. The annual average growth in revenues amounts to 6.4% p.a. This is 0.1% below the assumed CPI for the period, i.e. a Real Municipal Revenue Growth Rate of -0.1% p.a. (excluding Grants). The nominal growth is a combination of (i) increased sales, (ii) increase in tariffs and (iii) new revenue sources. The revenue growth reflects the municipality's own conservative estimate in the MTREF which expects a decline in revenue during the first year of the 10 year period. The historic Real Municipal Revenue Growth Rate (excluding Grants) for the period between 2005 and 2014 was 4.1% p.a. The lower future growth rate provides comfort in the light of a growing proportion of the indigent population. Disturbing however is the fact that in real terms the Equitable Share receipts declined by an average of 2.2% p.a. indicating a need to advocate for increased contributions in the light of the growing indigent population.

4.5. During the interaction with management the possibility of a disinvestment in the Casino at Caledon was raised. Such an event would result in structural changes to the local economy and concomitant decline in revenue and was quantified in the scenarios later on in this report.

4.6. It is revealing to compare TWK's Real Municipal Revenue per Capita with the Real GVA per Capita over time (viz. 2006 and 20013) to the sample of municipalities used by Schoeman in his research. For a growth in real GVA per capita of 2.2% p.a. the real revenues per capita have increased on average by only 1.1% p.a. over the 7 year period. This is illustrated in Graph 7 below. In both instances (2006 and 2013) the revenues are below Schoeman's model, which would indicate that theoretically there should be potential of increasing the own municipal revenues per capita. In comparison INCA's model estimates that the Real GVA per Capita in 2024 is R32 022 p.a. and the municipal real revenue (excluding grants) per capita at that time is a low R1 268 p.a. This point is also plotted on the graph.

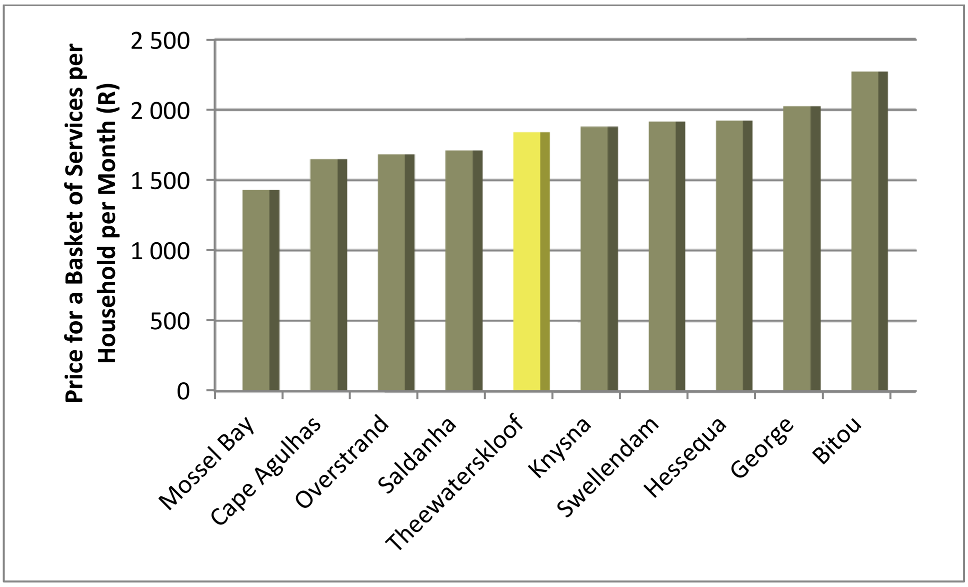
GRAPH 7: THEEWATERSKLOOF LM: REAL REVENUE PER CAPITA VS. REAL GVA PER CAPITA FOR 2006 AND 2013 AND PROJECTED 2024



4.7. We conclude that TWK's own revenue per capita has increased at a slower rate than the GVA per capita during the same period (2006 to 2013). The Real Revenue per Capita is below the expected revenues for a similar size economy in Schoeman's model, and indicates that some potential exists to increase revenues ***per capita*** in future.

4.8. An analysis of the rates and tariffs of a selected number of municipalities in the Western Cape indicates that TWK features close to midpoint with regard to the price of a basket of services for an average household with a R1 million property consuming 500 kWh electricity and 20 kl water p.m. The graph below illustrates the cost of a basket of similar services in these selected municipalities. This is ***merely an indication*** of where TWK features. We are cognisant of the fact that the cost structure and property valuation dates of municipalities differ, but such a comparison can be useful in guiding the municipality in its attempts to find a rational way of increasing revenues in future.

GRAPH 8: SELECTED SAMPLE OF MUNICIPALITIES IN THE WESTERN CAPE: AVERAGE MONTHLY HOUSEHOLD MUNICIPAL BILL FOR A R 1M PROPERTY, 500 KWH ELECTRICITY CONSUMPTION AND 20 KL WATER CONSUMPTION (2014/15)



4.9. The municipal revenues as predicted above, exclude grants and subsidies, as these are not dependent on the local economy. However, the model does take grants into account by including Unconditional Operational Grants (Equitable Share) in Revenue but excluding Conditional Grants in Revenue and reducing Expenditure with the same amount. The Equitable Share receipts during the past 2 years averaged app. R55 million p.a. An estimate of capital grants, based on historic trends, is included in the capital funding mix.

4.10. Once the annual municipal revenues were determined the ability of the municipality to pay for operational- and capital expenditure and the level of expenditure was estimated based on a range of assumptions, as discussed in more detail further on in this report.

5. FUTURE OPERATIONAL EXPENDITURE

5.1. A review of the current expenditure trends of TWK indicated that expenses are managed well and are increasing at a similar rate to revenue; this will require that the municipality should continue aligning its expenditure budget with anticipated revenue growth to ensure it maintains its present ability to generate accounting and cash surpluses. Therefore stringent expenditure management remains as important as ensuring that revenues are collected.

5.2. As demonstrated by the Cash Operating Surpluses that have increased in the past two financial years TWK has managed its expenses against income prudently.

5.3. The Medium Term Revenue and Expenditure Framework adopted for 2014/15 to 2016/17 illustrates that the municipality will flatten revenue increases slightly to be more aligned with inflation and manage its expenses accordingly.

5.4. In relation to the Total Expenditure all expenses will remain at approximately similar levels with the exception of the following:

5.4.1. Costs for the distribution of water services seem to be growing faster than the rate of growth of income derived from this municipal service in the MTREF.

5.4.2. The gradual increases of the salary bill at rates between 9% and 14% is however concerning as it will bring Staff Costs to an unacceptable level of 43% of Total Expenditure. It would be advisable that Theewaterskloof attempts to minimise these costs and we have made appropriate adjustments in our model.

5.4.3. The expected growth in Repairs & Maintenance of 24% in 2014/15 and 11% in 2015/16 will bring this allocation closer to the National Treasury guideline of 10% of Total Expenditure. Repairs and Maintenance will make up 7% of Total Expenditure in 2015/16; from a low base of 5% in the past.

5.5. It is important that any future variations in expenditure is closely monitored and where possible the impact anticipated and staggered over multiple years to reduce the impact.

6. DEMAND FOR FUTURE CAPITAL EXPENDITURE

6.1. Integrated asset management acknowledges the link between the 3 elements of cost associated with asset management, viz. New Capital Expenditure, Asset Replacement Cost and Repairs and Maintenance Expenditure. The extension of the life of an asset beyond its Useful Life may save on Replacement Costs but will increase the Repairs and Maintenance expenditure. Any new assets created will also have an impact on the Repairs and Maintenance budget in future.

6.2. By analysing the asset registers and reviewing the IDP and various sector master plans of the municipality a feel for the demand of future replacement cost of exiting assets and investments in new assets was obtained.

Asset Replacement Expenditure

6.3. The “Replacement Cost” at a future “Replacement Date” for all the assets in the asset registers was determined. “Replacement” could also imply rehabilitation, enhancement (upgrade) or renewal (refurbishment) of that asset, but excludes routine repairs and maintenance.

6.4. The calculation is done mechanistically and does not cater for engineering judgement. The model only uses the Estimated Useful Life of the asset component as a criterion. The model calculates the Replacement Cost (in nominal terms) of assets for a 10 year period, i.e. up to and including 2024. Some asset classes were not reviewed for replacement, viz. “Cemeteries”, “Heritage Assets”, “Investment Properties” and “Parks & Gardens”.

6.5. The outcome of this analysis and the Annual Replacement Cost (“ARC”) is presented in Annexure 4: Assets Earmarked for Replacement.

6.6. According to the analysis the nominal replacement cost for the 10-year period amounts to R1 413 million. This is a mechanistic calculation of the replacement cost of assets in the asset registers that have reached the end of their useful lives.

6.7. We have amended the estimated replacement costs. This was achieved by only including 30% of the estimated annual replacement cost of Roads in the total ARC, smoothing the constant 2015 value over the 10 years and reverting these back to nominal values. The outcome of this calculation is presented in the table below:

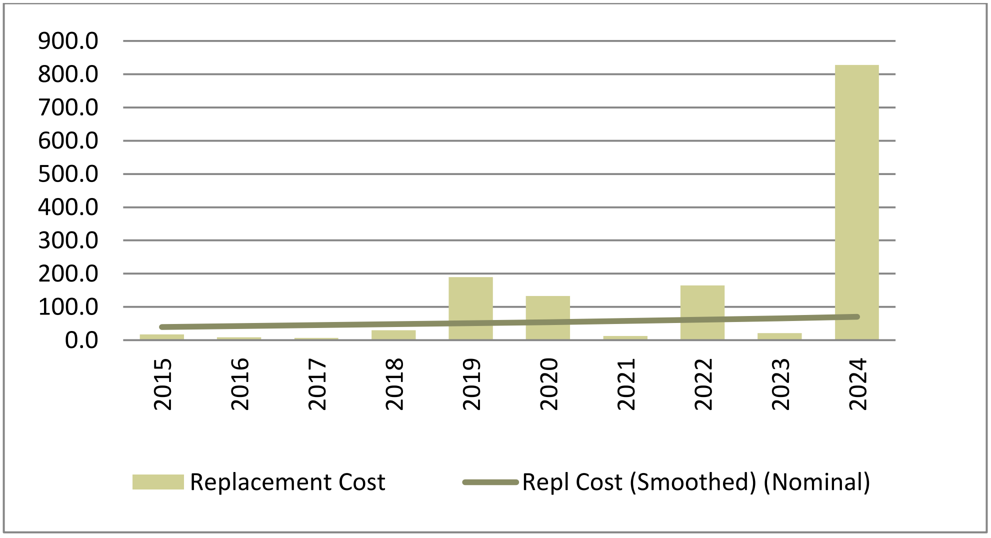
TABLE 3: REVISED AND SMOOTHED ANNUAL REPLACEMENT COST ("ARC"), R MILLION NOMINAL

		1	2	3	4	5	6	7	8	9	10
	TOTAL	***2015***	***2016***	***2017***	***2018***	***2019***	***2020***	***2021***	***2022***	***2023***	***2024***
ARC Rm (Nominal)	**1 413**	17.5	8.4	6.6	30.2	190.2	133.0	13.0	164.7	21.6	827.8
ARC RM (Nominal) including only 30 % Roads ARC	**597**	17.5	8.0	6.6	13.9	67.8	131.3	12.9	59.6	19.9	259.8
ARC Rm (Constant 2015)	**397**	17.5	7.5	5.8	11.5	52.7	95.9	8.9	38.3	12.0	147.4
ARC Rm Constant (Smoothed)	**397**	39.7	39.7	39.7	39.7	39.7	39.7	39.7	39.7	39.7	39.7
ARC Rm (Nominal) (Smoothed)	**536**	39.7	42.3	45.1	48.0	51.1	54.5	58.0	61.8	65.8	70.1

6.8. The more realistic 10-year total asset replacement cost - albeit not necessarily affordable - was reduced from the original R1 413 million to R536 million.

6.9. The graph below compares the Replacement Cost as determined from the asset registers and the smoothed Replacement cost after adjustment as described above:

GRAPH 9: THEEWATERSKLOOF LM: ASSET REPLACEMENT COST, RM P.A.



6.10. The very high amounts recorded for 2019, 2022 and 2024 are largely due to Roads replacement.

New Capital Investment

6.11. The new infrastructure capex demand was estimated by referring to the document *Theewaterskloof Municipality: Major Infrastructure Requirements and Funding Overview*; Western Cape Government; Second Generation: 30 July 2014. The major items of new capital demand are presented in Annexure 4: New Capital Investments.

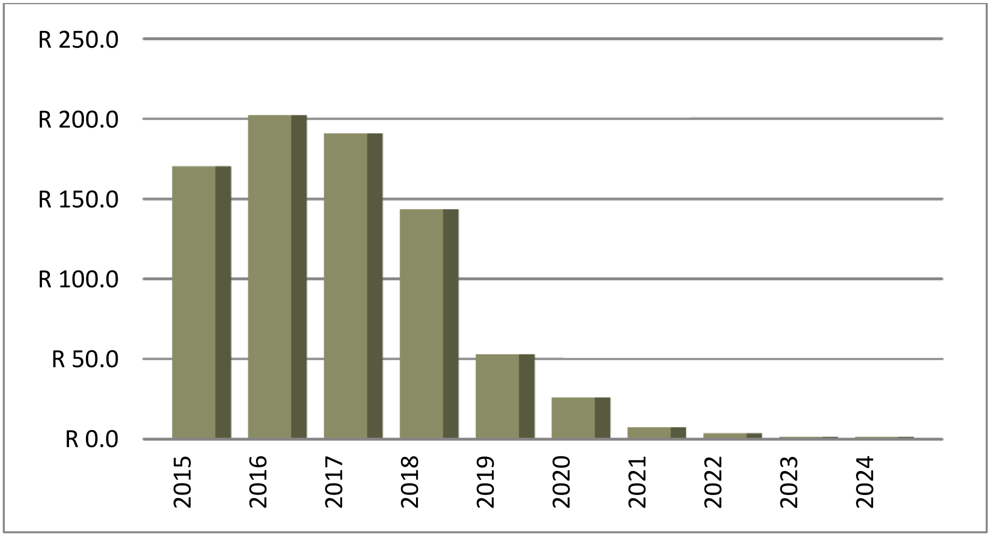
6.12. A summary of the proposed new capex demand is presented below. This budget is merely an expression of our interpretation of the municipality's future needs as presented to us in the various documents and orally during meetings with the executives.

Table 4: New Capital Expenditure Rm (Nominal)

Category	Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Infrastructure											
Disaster Management	**23.3**	**7.8**	**7.8**	**7.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Electricity	**153.1**	13.6	50.3	40.6	41.3	3.6	3.6	0.0	0.0	0.0	0.0
Environmental	**3.5**	0.7	0.7	0.7	0.7	0.4	0.4	0.0	0.0	0.0	0.0
Roads	**9.1**	2.9	2.9	1.7	1.7	0.0	0.0	0.0	0.0	0.0	0.0
Roads & SW	**11.9**	3.0	2.9	2.9	2.0	1.2	0.0	0.0	0.0	0.0	0.0
Sanitation	**204.3**	62.2	48.8	52.1	19.3	10.2	9.3	1.3	1.3	0.0	0.0
Sport	**2.5**	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Storm water	**25.6**	6.0	6.0	6.0	6.0	1.5	0.3	0.0	0.0	0.0	0.0
Waste	**4.1**	1.7	1.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	**186.6**	49.1	45.8	35.3	33.0	18.7	2.4	2.4	0.0	0.0	0.0
Total Infrastructure	**624.0**	**149.3**	**166.8**	**147.7**	**103.9**	**35.5**	**15.9**	**3.6**	**1.3**	**0.0**	**0.0**
Vehicles & Equipment	**5.0**	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Various Other Moveable Assets	**3.0**	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total Constant (2013) New Capex	**632.0**	150.1	167.6	148.5	104.7	36.3	16.7	4.4	2.1	0.8	0.8
Total Nominal New Capex	**800.2**	**170.3**	**202.5**	**191.0**	**143.5**	**53.0**	**26.0**	**7.3**	**3.6**	**1.5**	**1.6**

6.13. The future new capital expenditure demand is illustrated in the graph below. It is evident that the consolidated infrastructure requirements are bunched together in the earlier years of the 10-year period.

GRAPH 10: THEEWATERSKLOOF LM: NEW CAPITAL EXPENDITURE DEMAND, RM (NOMINAL)

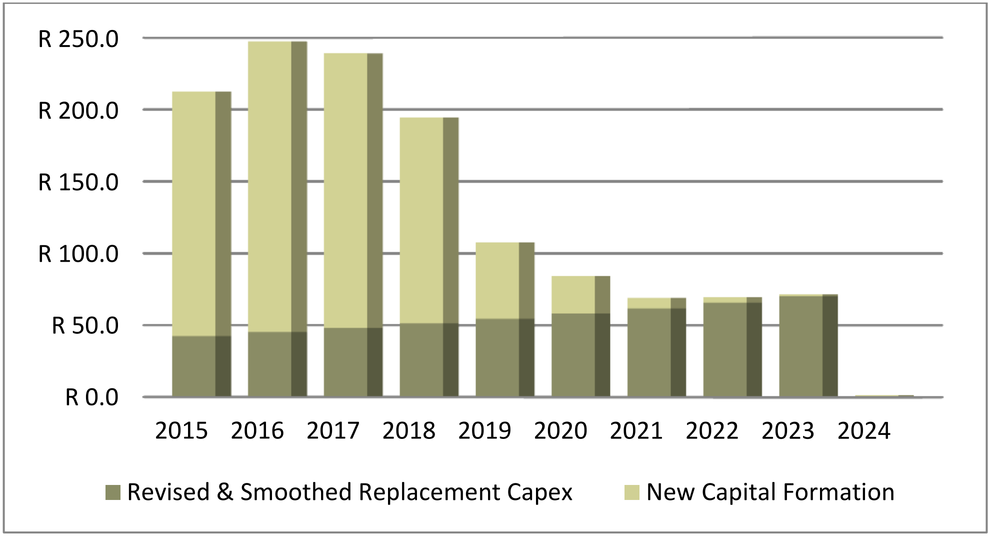


6.14. The combined total capex required to replace existing assets at the end of their useful lives and invest in new assets is summarised in Table 54 and illustrated in Graph 11 below.

TABLE 5: TOTAL 10 YEAR INDICATIVE CAPITAL EXPENDITURE DEMAND RM (NOMINAL)

	Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Smoothed Total Asset Replacement Cost Rm (Nominal)	536.0	39.7	42.3	45.1	48.0	51.1	54.5	58.0	61.8	65.8	70.1
Total New Capex Rm (Nominal)	800.2	170.3	202.5	191.0	143.5	53.0	26.0	7.3	3.6	1.5	1.6
Total Capex Demand Rm (Nominal)	**1 336.2**	**210.0**	**244.8**	**236.1**	**191.5**	**104.1**	**80.5**	**65.3**	**65.4**	**67.3**	**71.7**

GRAPH 11: THEEWATERSKLOOF LM: TOTAL FUTURE CAPITAL EXPENDITURE DEMAND, RM P.A.

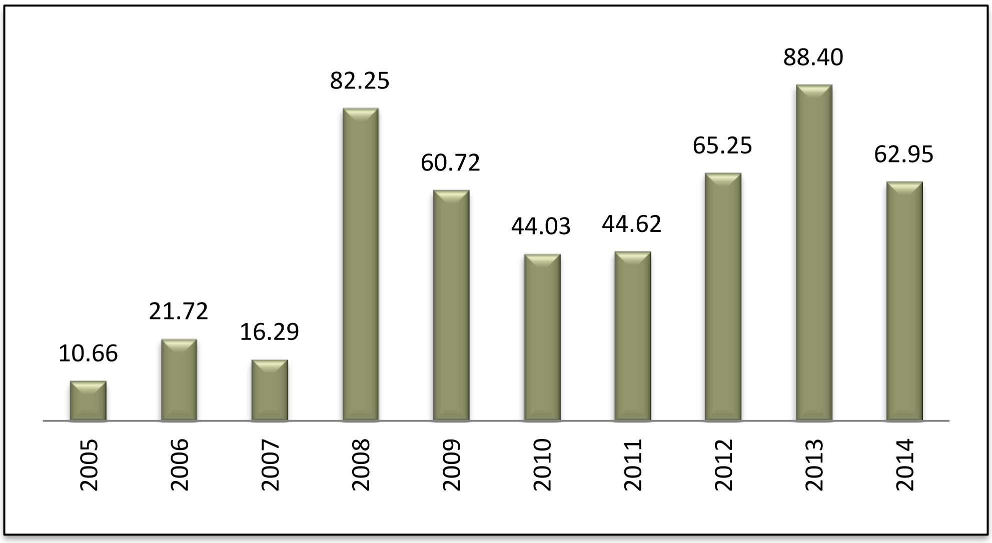


6.15. The total 10-Year Capital Expenditure Demand of R1 336 million is however not affordable. In the next paragraph the Base Case capex affordability will be determined and discussed.

6.16. Proportionally, the 10-year average replacement cost amounts to 40% of the total capital expenditure. In the light of the ageing infrastructure that TWK is experiencing, this percentage should preferably be increased even if the affordability limitations require a downward adjustment of the capital demand expectations.

6.17. Graph 12 illustrates the historic capex that TWK expended, which also demonstrates the municipality's ability (institutionally) to manage the implementation of a multi-million Rand capex budget. The annual capex never exceeded R100 million p.a. and in the last year amounted to R63 million.

GRAPH 12: THEEWATERSKLOOF LM: HISTORIC CAPITAL EXPENDITURE, RM (NOMINAL)



7. AFFORDABILITY OF FUTURE CAPITAL EXPENDITURE

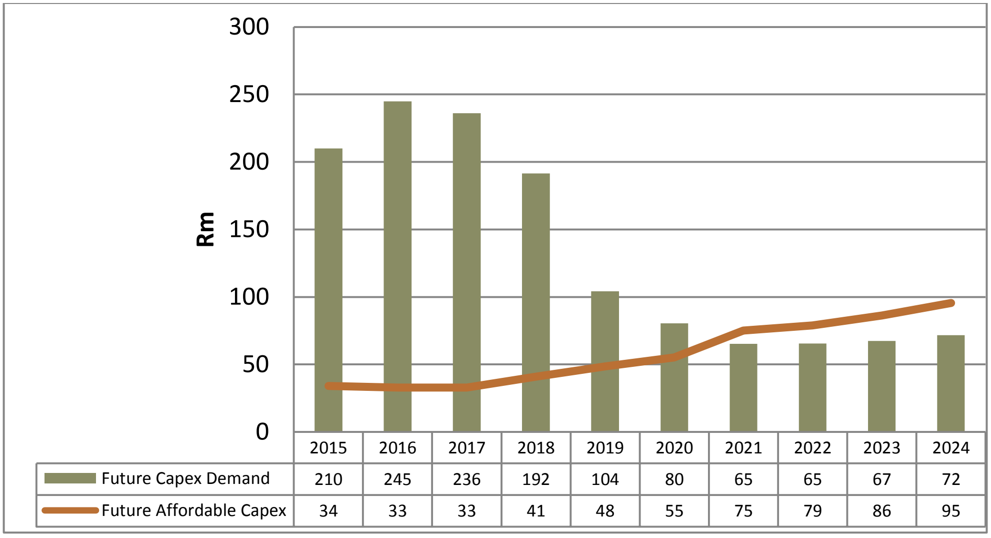
7.1. INCA developed a “Capital Investment Model” that forecasts the future capex that a municipality can afford; based on the Revenues it can expect to generate.

7.2. The cash available to service any new debt is calculated by subtracting from the Revenues as determined in paragraph 4 above a waterfall of expenses, starting with operational expenses, existing debt service and investment for liquidity- and other reserves.

7.3. The New Debt that the municipality can afford plus any remaining cash as well as estimated capital grants and other capital contributions can then be allocated towards capital expenditure.

7.4. The total 10-year affordable capex amounts to R580 million (nominal) and R414 million (constant - 2014) terms. The affordable capex is approximately R757 million less than the future capex demand of R1 337 million, and requires an adjustment downwards of the capex demand expectations.

GRAPH 13: THEEWATERSKLOOF LM: CAPITAL EXPENDITURE DEMAND VS AFFORDABILITY, RM P.A.

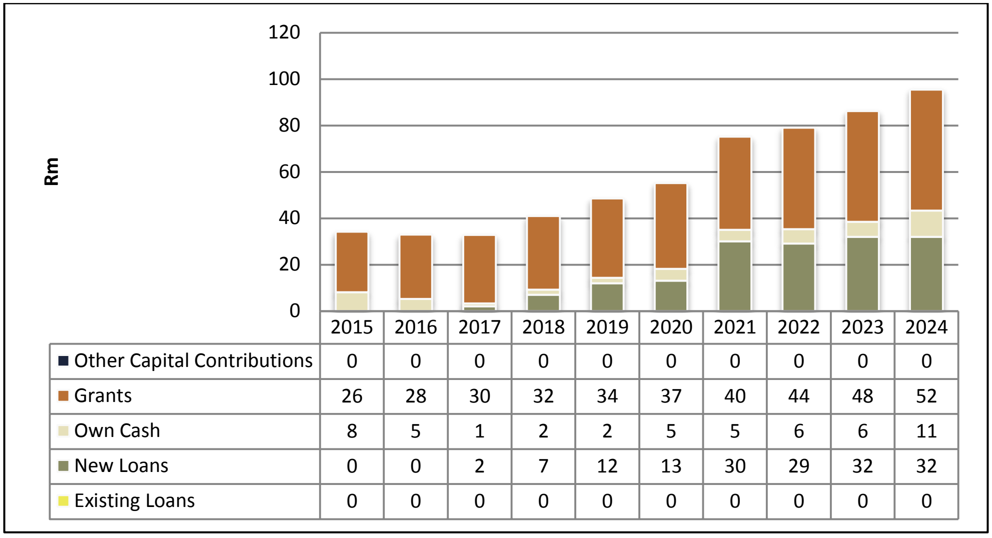


	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
▬ Future Capex Demand	210	245	236	192	104	80	65	65	67	72
▬ Future Affordable Capex	34	33	33	41	48	55	75	79	86	95

8. FUNDING OF FUTURE CAPITAL EXPENSES

8.1. The funding mix to fund the future affordable capex is determined by the model by ensuring that the net cash flow is zero for future years. In accordance with the model the capex may be funded as follows:

GRAPH 14: THEEWATERSKLOOF LM: FUNDING OF FUTURE CAPITAL INVESTMENT, RM P.A.

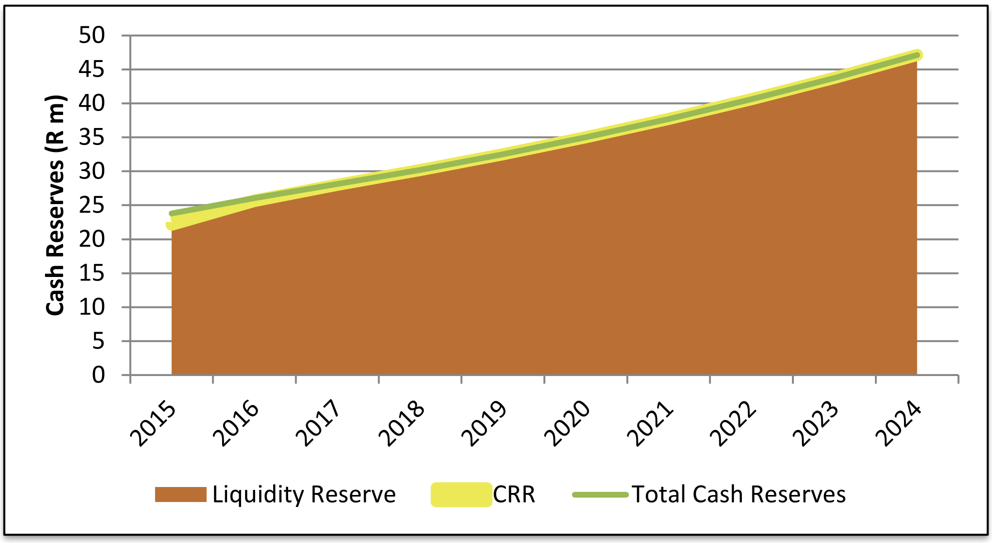


	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
■ Other Capital Contributions	0	0	0	0	0	0	0	0	0	0
■ Grants	26	28	30	32	34	37	40	44	48	52
■ Own Cash	8	5	1	2	2	5	5	6	6	11
■ New Loans	0	0	2	7	12	13	30	29	32	32
■ Existing Loans	0	0	0	0	0	0	0	0	0	0

8.2. The current high gearing of TWK limits the funding sources to grants and own cash during the initial years. From 2016/17 the municipality should be able to access external financing again. The model also assumes that the proceeds of the disposal of investment property / PPE to the value of R10 million will be allocated towards funding the capex during the 10-year planning period.

8.3. The investment in capital assets only proceeds after a Liquidity Reserve is funded to the extent required in the proposed policy. (See paragraph 10 below.) The precarious cash position of the municipality does however prevent it from funding a Capital Replacement Reserve ("CRR") to the extent required in the proposed policies. This does however not prevent the municipality to work towards funding a CRR in future. The future balances of these two reserve funds, viz. Liquidity- and CRR are illustrated in the graph below:

GRAPH 15: BALANCE OF LIQUIDITY AND CAPITAL REPLACEMENT RESERVE



8.4. The 10-year funding mix consists of the following funding sources:

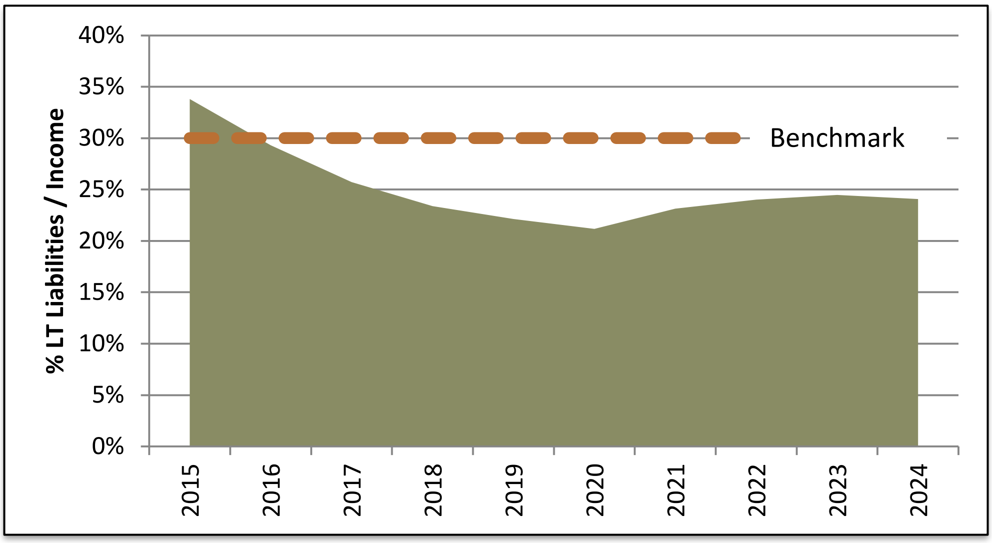
TABLE 6: FUNDING FUTURE AFFORDABLE CAPITAL EXPENDITURE

Sources of Funds	Amount Rm	%
New Loans	**R 157 m**	27.1%
Own Cash	**R 53 m**	9.1%
Grants	**R 370 m**	63.8%
TOTAL	**R 580 m**	**100.0%**

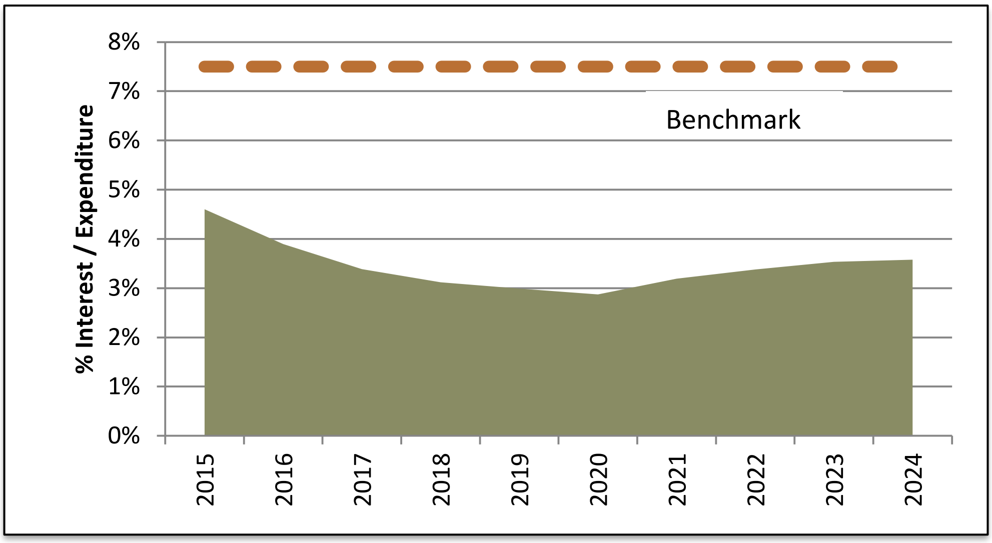
8.5. The amount of Grants was informed by historical trends but also taking into account the ability of the municipality to co-fund some of the grant allocations from own resources. The amounts of Own Cash and Grants together amount to app. 73% of the funding mix in the next 10 years.

8.6. The long term liabilities ("LTL") as a percentage of Income remain below the benchmark of 30%, except for the initial two years and the Interest to Total Expense Ratio remains well within the benchmark of 7.5%.

GRAPH 16: THEEWATERSKLOOF LM: LONG TERM LIABILITIES AS A PERCENTAGE OF INCOME



GRAPH 17: THEEWATERSKLOOF LM: INTEREST TO TOTAL EXPENSE RATIO



8.7. The realisation that only a proportion of the capital investment demand is affordable requires the municipality to prioritise its investment programme. To avoid any deterioration in the asset quality and address future capex needs, the municipality is advised to proportionally increase repairs and maintenance expenses and increase the collection rates.

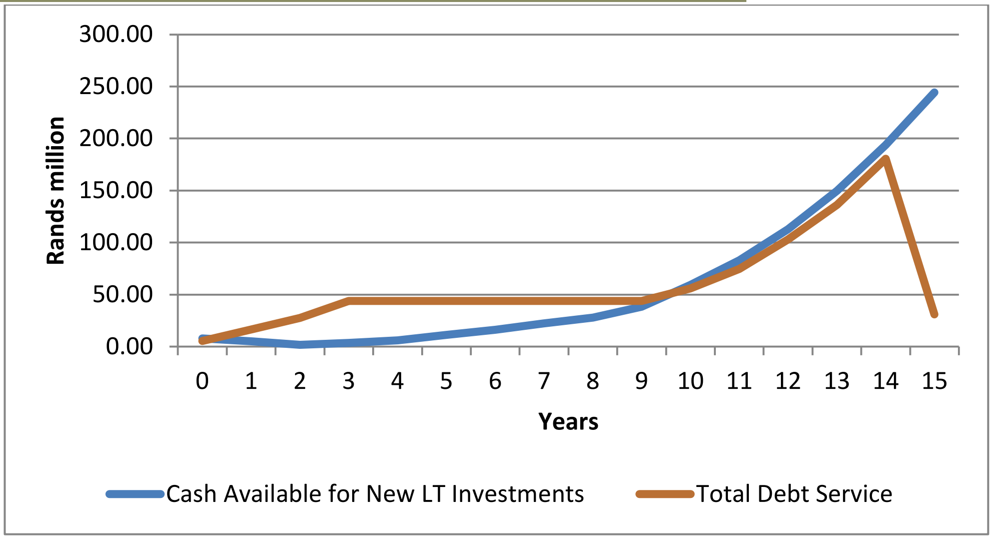
8.8. The need for asset replacement and upgrading is largely in the “Non-Grant Areas”. The Grants received from other spheres of government are earmarked for the “Grant Areas”. In an attempt to address the urgent need to replace ageing infrastructure and upgrade limited capacity in the “Non-Grant Areas”, more funds are required during the initial years of the planning period than is affordable (as opposed to the latter years when affordability exceeds demand - subject to prior demand being met).

8.9. Traditional funding, i.e. plain vanilla loans on the balance sheet of the municipality, without increasing tariffs considerably will not be sufficient to address these challenges. Some alternative funding instruments were also investigated and will be discussed below. In all instances it was assumed that a R400 million programme in the Water & Sanitation sectors will be implemented over a period of 4 years:

STRUCTURED LOAN

8.10. The front ended capex demand suggests that a structured loan with sculpted capital repayments may be a solution. Whereas a moratorium on the interest payment could also be considered, it is highly unlikely that the market will provide such a loan. The available cash limits the ability of the municipality to service interest during the initial years of a 15 year loan, even if the capital repayment only commences in year 10, the accumulated shortage of cash to service interest in the first 10 years is R217 million with a maximum annual shortfall of R40 million, as illustrated in the graph below.

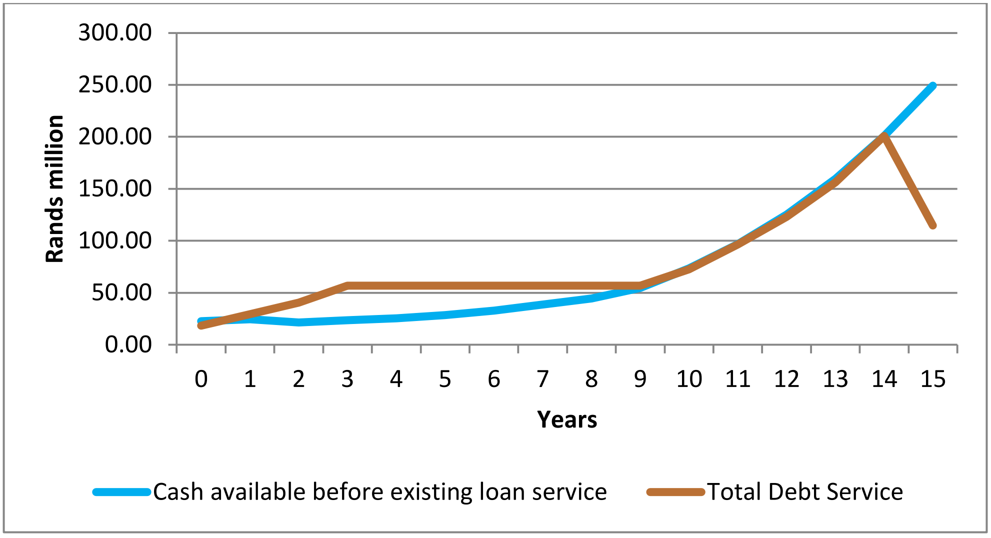
GRAPH 18: THEEWATERSKLOOF LM: STRUCTURED LOAN CASH FLOWS



DEBT RESCHEDULING PLUS A STRUCTURED LOAN

8.11. Rescheduling the existing R117 million debt and adding to this the R400 million new debt will unlock some cash to service debt. The debt service profile has a similar look to the one above (see graph below) except that the accumulated cash shortage to service interest in the first 10 tears is now R169 million and the maximum annual cash shortfall is R33 million.

Graph 19: Theewaterskloof LM: Rescheduled and Structured Loan Cash Flows



PUBLIC PRIVATE PARTNERSHIP

8.12. By entering into a PPP for a concession period of say 15 years, the municipality transfers certain risks as well as the debt burden to the Private Party ("PP"). The municipality's balance sheet is protected.

8.13. The structuring of a PPP can take various forms and requires a dedicated transaction advisor to follow a regulated approval process. We have made the following high level assumptions.

- Concession Period is 15 years
- The Private Party ("PP") takes over Sanitation and Water assets during this period and manages it
- The Municipality foregoes revenue and saves on expenditure in these sectors
- PP Invests R400m in Capex at a Debt : Equity ratio of 60:40.
- PP maintains assets for own account
- PP incurs bulk purchase costs
- PP bills end user and collects
- PP finances capex
- PP earns a return of 15%

8.14. If the proposal by the municipality to limit a PPP for the upgrading of the Caledon Waste Water Treatment Works were to be considered, the assumptions would be substantially different. The capex required is estimated as R50 million and assuming that the PP is operating the plant, the municipality would have to pay a "unitary fee" made up of costs associated with the debt incurred by the PP, return on the PP's equity and operations and maintenance expense. The feasibility of such an arrangement must be assessed by a transaction advisor who, according to National

Treasury Regulations pertaining to PPPs would have to assess the affordability of such a model, value for money and risk transfer.

8.15. The implication for the different parties is as follows:

Municipality:

The municipality receives new and replaced assets valued R400 million in the first 4 years and also saves on operational and maintenance expenditure on the water and sanitation services. The municipality does however have to forego the water and sanitation revenue and a proportion of the equitable share associated with these services.

If these benefits and costs were to be converted to cash the municipality would earn an IRR of approximately 2% on this arrangement.

Private Party:

The PP performs the terms of the concession contract and receives a return of 15% on its shareholder capital. Implementing PPPs of this nature are notoriously complicated and require a large amount of legal structuring. This is time consuming and may take several years, thereby frustrating the requirement for immediate capital investment.

Consumers (Rate Payers):

To allow the arrangement to proceed, tariffs would have to increase by 49% initially and by 8% p.a. thereafter. Whether this is affordable by the rate payers and politically acceptable remains to be tested.

REDUCE INITIAL INVESTMENT

8.16. The R400 million initial investment is unaffordable for all alternatives. Affordability improves with a decrease in initial investment, and the municipality may want to consider what the minimum level of investment is that still addresses the major capex requirements. The table below presents the outcome of different investment values, ranging from R400 million to R100 million.

TABLE 7: OUTCOME OF A COMBINATION OF VARIOUS FUNDING MODELS AND INITIAL INVESTMENT

Values in Rm	Base Case	Case 2	Case 3	Case 4	Case 5
Capital Investment in Water & Sanitation Sector in first 4 Years	**400.00**	**300.00**	**250.00**	**200.00**	**100.00**
Structured New Loan					
Total shortage of funds to pay interest during capital grace period	-216.89	-127.51	-82.83	-38.14	30.90
Maximum annual shortfall of cash to pay interest during capital grace period	-40.26	-29.26	-23.76	-18.26	-7.26
Debt Rescheduling plus Structured Loan					
Total shortage of funds to pay interest during capital grace period	-169.19	-79.82	-35.13	0.04	58.38
Maximum annual shortfall of cash to pay interest during capital grace period	-33.19	-22.19	-16.69	-11.19	-0.19
Public Private Partnership					
Initial Increase in Tariffs to ensure a PP return of 15%	49%	37%	31%	26%	13%

CONCLUSION

8.17. In future, invitations for new debt should in addition to the plain vanilla amortising loans also invite proposals for refinancing and rescheduling of existing debt, longer tenors, back ended sculpting of capital repayments (long periods of capital grace periods) and even explore the appetite in the market for an interest payment moratorium. The municipality should however be prepared to demonstrate to potential lenders its intent to implement policies and strategies similar to those listed in 8.19 below and offer security such as cession of certain revenue streams.

8.18. Affordability concerns and small scale of potential PPPs make the successful implementation of this model doubtful. However, the municipality may want to consider the appointment of a transaction advisor who will assess the alternatives in detail before approaching the market for proposals. The municipality is reminded of the regulatory processes that need to be followed in such an event.

8.19. Notwithstanding the prudent approach of exploring all potential alternative funding mechanisms, we believe that increasing the revenue of the municipality is paramount. This can be achieved by a combination of interventions as recommended in paragraph 11 below, and include:

- increased efforts in promoting economic growth and development in an attempt to increase revenues
- reduction of infrastructure level of services in areas that cannot afford these services

- revision of the housing delivery policy to prevent large housing projects being located in places where there are no employment opportunities
- advocating for a re-demarcation of Grabouw
- taking over as agent for the distribution of electricity in those areas served by ESKOM at the moment
- disciplined disposal of the municipality's investment properties in an attempt to unlock the balance sheet
- increased tariffs, at least to cater for a deprecation charge
- strengthen the Financial Sustainability Steering Committee in its efforts to identify new revenue sources
- strict control over expenditure
- improve the collection rate by exploring the cost – benefit of a private service provider implementing an integrated system of credit control, debtor management and customer care
- advocate for a larger proportion of equitable share to fund the ever increasing indigent population

8.20. All these interventions have the common aim of increasing the municipal revenues. There is no magic wand that would allow a significant increase in capital spending without an increase in revenues, regardless of the funding mechanism applied.

9. FINANCIAL MODEL

9.1. The proposed financial plan is based on the assumptions in the Base Case Financial Model. We are cognisant of the fact that future cash flows may be influenced by a variety of variables. The assumptions made for the Base Case are summarized below. The variables that were kept constant for all scenarios are listed in Table 8 below.

TABLE 8: BASE CASE ASSUMPTIONS: GENERAL

VARIABLE	VALUE
Model Period	10 Years: 01-07-2014 to 30-06-2024
CPI growth rate	6.50% p.a.
Days Receivable	45 days
Days Payable	30 days
Depreciation rate	3.5% p.a.
Investment Property: Acquisition	R 0 million
Investment Property: Disposal	R 10 million
No of months liquidity reserve	1 month
Funding of Capital Replacement Reserve	None
Interest Rate on Positive Bank Balance	CPI -1.0%
Interest Rate on Overdraft	CPI + 4.0%
Opening balances	30-06-2014 (adapted)
New debt tenor	10 Years
New debt interest rate	CPI + 4.50% p.a.
Capital Grants as a % of Total Revenue	10.0%

9.2. Most of these variables are self-explanatory. Suffice it to highlight that the assumed CPI growth rate is 6.5% p.a. No acquisition of investment property is assumed. We have however assumed a disposal of Investment Property of R10 million. The liquidity reserve includes one month working capital and the CRR remains unfunded.

9.3. The variables that were changed for scenario testing are presented in Table 9 below:

Table 9: Base Case Assumptions: Scenarios

Year	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	**Average**
Projected GVA Growth Rate p.a.											
Model	1.70%	2.60%	3.20%	3.80%	4.20%	3.50%	2.00%	0.50%	1.00%	1.50%	2.4%
Projected Population Growth Rate p.a.											
Model	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.9%
Year when structural change in salaries & wages is implemented											2018
Structural change in salaries and wages											0.0%
Cost Factor of Salaries & Wages											1.00
Cost Factor on Electricity Services											1.00
Cost Factor on Water Services											1.00
Cost Factor on Repairs & Maintenance											1.00
Collection Rate											90.0%

9.4. In the Base Case it is assumed that the average 10-year GVA growth rate is 2.4% p.a. and the average population growth rate is 0.9% p.a. No structural change in the expenses for Salaries and Wages (as a result of rationalisation of the staff complement) will be effected in 2018. The factor 1.00 against each Expense Item indicates that these will escalate at rates as assumed in the Input Sheet. The revenue collection rate is 90%, i.e. 10% will be impaired. This rate was informed by historical collection rates.

9.5. The outcome of the Base Case is reflected in the table below:

Table 10: Base Case Outcome

OUTCOME	**AMOUNT**	**UNIT**
Average annual % increase in Revenue	6.4	% p.a.
Surplus accumulated during 10 years	322	Rm
10-year cash from operations after debt service	74	Rm
10-year LT Debt Raised	157	Rm
10-year capital investment programme	580	Rm
Cash investments after 10 years	53	Rm

9.6. The Base Case provides that in the 10 year period a surplus of R322 million and operating cash after debt service of R74 million is accumulated. Long term debt of R157 million can be raised for a total capital investment programme of R580 million. The cash investments after 10 years to back a liquidity reserve and CRR amount to R53 million.

9.7. The summary projected financial statements for the Base Case are presented in Annexure 2: Base Case Summary Projected Financial Statements.

9.8. A scenario analysis shows the changes in outcome for a change of a number of input variables. The input variables that were changed for the different scenarios are presented in Table 11 on the following page. In each of the different cases, the deviations from the Base Case are highlighted. The outcome for each of these scenarios is summarised in Table 12 as they relate to relevant dependent variables.

9.9. The 10-year capital investment programme of R756 million is largest in Case 9, when the collection rate is increased to 95%. In Case 10 when the collection rate is reduced to 85%, a capital investment programme of only R375 million can be afforded. The municipality’s efforts to improve the collection rate are absolutely essential as this has a significant impact in future performance and sustainability.

9.10. The amount borrowed in the 10-year period remains fairly consistent between R130 and R160 million except in Case 6 due to a 5% structural increase of the salaries and wages bill, Case 8 due to the increase in expenses and Case 10 as a result of the low collection rate.

9.11. The model is less sensitive for changes in macro-economic and demographic variables, viz. GVA- and Population growth rates. Nonetheless a decline in the economic growth rate will reduce the capital investment programme to R538 million and generate less cash from operations.

9.12. We also prepared a combined “Upside” and a combined “Downside” scenario. The Downside scenario attempts to quantify a total disinvestment by the Caledon Casino in the area and an Upside scenario combines a number of positive, albeit realistic changes in the input variables, ranging from a slight increase of the GVA growth rate to 3% p.a. a structural saving of the Salaries and Wages bill of 3% and an increase of the collection rate to 93%.

TABLE 11: SCENARIOS: INPUT VARIABLES

	Case 0	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8	Case 9	Case 10
Description	**Base Case**	**GVA Rate Increased**	**GVA Rate Declined**	**Pop growth rate increased**	**Pop growth rate declined**	**Structural Change with decrease in Costs**	**Structural Change with increase in Costs**	**Reduced Expenses**	**Increased Expenses**	**Increased Collection Rate**	**Reduced Collection Rate**
Projected GVA Growth Rate p.a.	2.4%	5.0%	1.0%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Projected Population Growth Rate	0.9%	0.9%	0.9%	1.2%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Year when structural change in salaries & wages is implemented	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Structural change in salaries and wages in 2016	0.0%	0.0%	0.0%	0.0%	0.0%	-10.0%	5.0%	0.0%	0.0%	0.0%	0.0%
Cost Factor of Salaries & Wages	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.9	1.1	1.0	1.0
Cost Factor on Electricity Services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.9	1.1	1.0	1.0
Cost Factor on Water Services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.9	1.1	1.0	1.0
Cost Factor on Repairs & Maintenance	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.9	1.1	1.0	1.0
Cost Factor on General Expenses	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.9	1.1	1.0	1.0
Collection Rate	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	95.0%	85.0%

TABLE 12: SCENARIOS: OUTCOME

Case #	Case 0	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8	Case 9	Case 10
Description	Base Case	GVA Rate Increased	GVA Rate Declined	Pop growth rate increased	Pop growth rate declined	Structural Change with decrease in Costs	Structural Change with increase in Costs	Reduced Expenses	Increased Expenses	Increased Collection Rate	Reduced Collection Rate
Average annual % increase in Revenue	6.4%	6.7%	6.3%	6.5%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%
Surplus accumulated during 10 years	322	376	300	344	314	484	281	529	139	487	184
10-year cash from operations after debt service	74	120	61	92	68	248	57	296	-39	273	-18
10-year LT Debt Raised	157	164	127	160	150	162	61	163	2	163	0
10-year capital investment programme	580	622	538	596	568	732	468	765	379	756	375
Cash investments after 10 years	53	54	55	54	54	50	52	50	-29	54	4

TABLE 13: UPSIDE AND DOWNSIDE SCENARIOS: INPUT VARIABLES

Description	Base Case	Upside	Downside Caledon Casino Disinvests
Projected GVA Growth Rate p.a.	2.4%	3.0%	2.3%
Projected Population Growth Rate	0.9%	1.1%	0.7%
Year when structural change in salaries & wages is implemented	2018	2018	2018
Structural change in salaries and wages in 2016	0.0%	-3.0%	0.0%
Cost Factor of Salaries & Wages	1.0	1.0	1.0
Cost Factor on Electricity Services	1.0	1.0	1.0
Cost Factor on Water Services	1.0	1.0	1.0
Cost Factor on Repairs & Maintenance	1.0	1.0	1.0
Cost Factor on General Expenses	1.0	1.0	1.0
Collection Rate	90.0%	93.0%	87.0%

9.13. The outcome of these two scenarios illustrates the sensitivity of this combination of variables.

TABLE 14: UPSIDE AND DOWNSIDE SCENARIOS: OUTCOME

Description	Base Case	Upside	Downside Caledon Casino Disinvests
Average annual % increase in Revenue	6.4%	6.6%	6.3%
Surplus accumulated during 10 years	322	496	260
10-year cash from operations after debt service	74	268	50
10-year LT Debt Raised	157	164	0
10-year capital investment programme	580	749	374
Cash investments after 10 years	53	54	50

9.14. The most significant changes occur in the capital investment programme which in the Upside is R170 million more than the Base Case and in the Downside R210 million less than the Base Case. No external financing can be afforded in the Downside scenario. The effect of a disinvestment by any existing investor impacts negatively on the labour market and through linkages with other sectors of the economy also on those sectors which in turn effects the revenue generating potential of the municipality negatively as well.

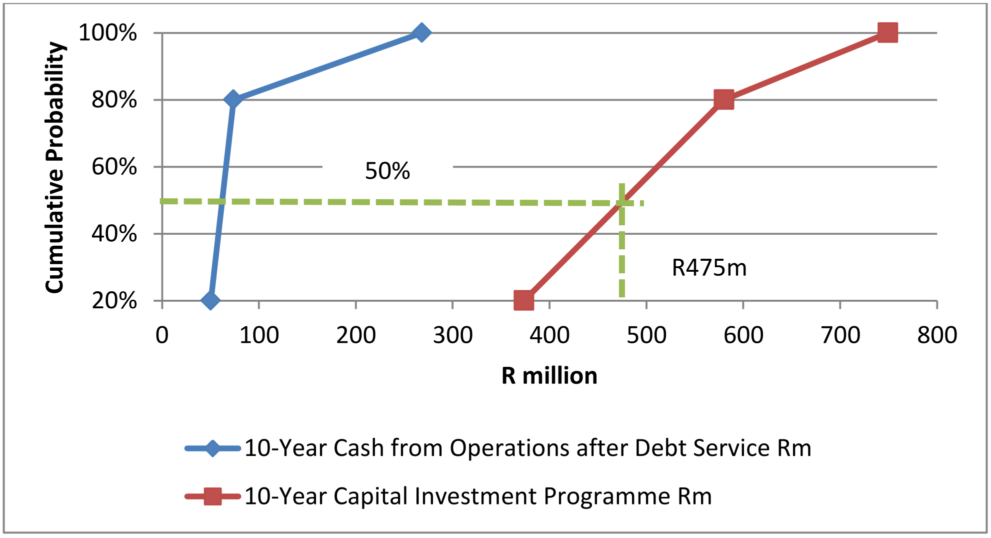
9.15. In the **Downside Scenario**, with a probability of occurrence of 20%, the 10 year cash generated after debt service is R50 million and the capital investment programme is limited to R374 million.

9.16. We estimate that in the **Base Case Scenario**, with a probability of occurrence of 60%, the municipality will, over a 10 year period, generate cash from operations after debt service of R74 million and will be able to invest in a capital programme of R580 million.

9.17. In an **Upside Scenario**, with a probability of occurrence of 20%, the municipality will be able to generate cash from operations after debt service of R268 million and will be able to invest in a capital programme of R749 million.

9.18. If the "Upside" presents the upper- and the "Downside" the lower level of expected outcomes, then the cumulative probability curve of these outcomes is illustrated in the graph below.

GRAPH 20: PROBABILITIES OF OUTCOME OF SCENARIO ANALYSIS



9.19. The implication of these curves is that there is a 50% probability that the 10-year capex programme will amount to less than app. R475 million and a 100% probability that it will be less than R750 million.

9.20. On request by TWK, the impact of load shedding as a separate scenario was also explored. The assumptions made to formulate this scenario are extremely difficult to verify, e.g. will load shedding in addition to the direct financial impact have a multiplier effect? Notwithstanding the difficulty of quantifying load shedding, INCA's model was run on the following assumptions:

- Load shedding will occur for the next three years
- A total of 8 hours per week will be shed
- This will result in a reduction of sales but also bulk purchase cost
- Economic production will be affected for 50% of the load shedding period

9.21. Based on these assumption, the model predicts that the 10-year accumulated surplus will be R22 million less, R30 million less debt can be afforded and the 10-year capital investment will be reduced from R580 million in the Base Case to R 535 million, as presented in the table below.

TABLE 15: LOAD SHEDDING SCENARIO: OUTCOME

Description	**Base Case**	**Load Shedding Scenario**
Average annual % increase in Revenue	6.4%	6.5%
Surplus accumulated during 10 years	322	300
10-year cash from operations after debt service	74	78
10-year LT Debt Raised	157	127
10-year capital investment programme	580	535
Cash investments after 10 years	53	50

10.LIQUIDITY & RATIO MANAGEMENT

10.1. Healthy Liquidity is considered the key factor to effectively managing the financial viability of TWK in the longer term in conjunction with the necessary financial ratios against which to monitor actual performance. A proposed framework is provided below, within which to manage liquidity, operational performance and external gearing. The indicators provided are interrelated as the weakness in one could be the reason another is limited and therefore the combined performance in terms of all indicators needs to be considered to actively monitor financial performance and against these indicators the turn-around in performance can be measured and reported on to the Management, Council and key stakeholders.

10.2. In January 2014 National Treasury issued MFMA Circular No. 71 under the Municipal Finance Management Act No. 56 of 2003. The purpose of this circular is to provide a set of uniform key financial ratios and norms suitable and applicable to municipalities and municipal entities. The MFMA Circular 71 provides a far broader base of ratios as a guideline than proposed below. As an indication the framework below will reflect the proposed MFMA standard where similar ratios are proposed.

10.3. INCA considers these ratios as the key indicators and the broader MFMA framework can be considered by the municipality as it further promotes prudent financial management.

10.4. A draft liquidity policy is attached hereto in Annexure 6, but in essence the policy recommends the following:

Liquidity Ratios

10.5. Standard Liquidity Ratio (The ability to fully provide for current liabilities with current assets.)

Minimum norm: 1:1
Healthy norm: 2:1
MFMA norm: 1.5 – 2:1

10.6. Quick Liquidity Ratio (The ability to provide for current liabilities with liquid current assets therefore current assets including only 30 day debtors.)

Minimum norm: 1:1
Healthy norm: 2:1
MFMA norm: None

10.7. Minimum Liquidity Level (Holding sufficient cash and investments to fully provide for the sum of unspent conditional grants, short term provisions, ceded investments, cash backed reserves and provisions and at least one month of operating expenditure (excluding non-cash expenses).

Minimum norm: 1:1
Healthy norm: 1:1 plus an additional month's operational expenditure
MFMA norm: 1 – 3 months

MFMA calculation excludes cash backed reserves and short term provisions; however an additional ratio is stipulated in Circular 71 regarding the Level of Cash Backed Reserves.

10.8. Overdraft to Total Income (Preferably a municipality should not have an overdraft facility at all at year end, however should an overdraft facility be used it should not exceed 5% of Total Income.)

Maximum norm: 5%
Healthy norm: 0%
MFMA: None

10.9. Other ratios as stipulated below are to be managed at levels applicable to TWK and although industry benchmarks exist it is more prudent to set objectives given the financial context of Theewaterskloof LM. The following ratios are recommended for consideration and it would be prudent to report hereon on a quarterly basis to the Finance Committee:

Operational Ratios

10.10. Total Accounting Surplus (The ability to post an accounting operational surplus where Total Income exceeds Total Expenditure with a positive margin.)

Minimum norm: Break-even of the above calculation
Healthy norm: Positive margin that is maintained
MFMA norm: Break-even or >0

10.11. Cash Operating Surplus (The ability to generate surplus cash from operational performance therefore Total Income less conditional transfers less total expenditure excluding non-cash items adjusted for changes in working capital should be positive.)

Minimum norm: Break-even of the above calculation
Healthy norm: Positive margin that is maintained
MFMA norm: None

10.12. Repairs and maintenance to Total Expenditure (The ability of the municipality to effectively maintain the infrastructure assets from which it derives its primary income.)

Minimum norm: 5%
Healthy norm: 7%
MFMA norm: 8%

MFMA calculation differs in using the Property, Plant and Equipment (carrying value) as the base of the ratio instead of Total Expenditure.

10.13. Consumer Collection Levels (For a municipality to maintain its viability it should maintain its collection levels at least above 90%. Growth in gross consumer debtors including debts written off in the financial year as a percentage of billed income including equitable share, will provide the non-collection level therefore the difference will indicate the consumer collection level.)

Minimum norm: 90%
Healthy norm: 95%+
MFMA norm: 95%

10.14. Staff Costs, Allowances and Wages (The level of staff costs, allowances and wages to total operational expenditure needs to be effectively managed to ensure that costs aren't considered too high, but also that the municipality is not under capacitated and employment levels are too low.)

Minimum norm: 25%
Healthy norm: 25% to 30%
MFMA norm: 25% to 40%

External Gearing Ratios

10.15. It is important to note that External Gearing ratios are subject to Liquidity ratios being within in recommended levels. A draft Borrowing, Funds and Reserves Policy has been attached for consideration.

10.16. External Loan Liability Paid Coverage Ratio (The ability to at least cover the External Interest and Capital Payable with the cash generated from operations before interest.)

Minimum norm: 1:1
Healthy norm: 2:1
MFMA norm: None

10.17. External Interest and Capital Paid to Total Expenditure (The percentage of Total Expenditure utilised to service external loan repayments.)

Maximum norm: 10%
Healthy norm: 7.5%
MFMA norm: 6% - 8%

10.18. External Gearing Ratio (The level to which the municipality has geared itself is calculated as Total External Interest Bearing Debt as a percentage of Total Income less conditional grant funding.)

Maximum: 30%
Healthy norm: 25%
MFMA norm: 45%

11.RECOMMENDATIONS

We formulate recommendations based on the outcome of our assessments, discussions with Executive Management of the Municipality and Capital Investment Model and propose that these are adopted for inclusion in the municipality's long term financial plan:

11.1. Facilitate Economic Development & Diversification

TWK exhibits a vulnerable economy. The largest sector, viz. Agriculture is mechanising and shedding labour. Although wages are increasing which in turn increases the potential for local spend, the number of wage earners is decreasing consistently. Work in the Grabouw, Botrivier and Viliiersdorp region is seasonal of nature. Ideally a sector that can absorb labour, possibly agro processing or other light industry should be promoted.

We recommend that the Theewaterskloof LM intensifies its efforts in facilitating the diversification of the local economy.

11.2. Review the Housing Provision Policy

The historic growth of household formation will have a future impact on the level of service delivery and expenses associated with the operations of services and maintenance of infrastructure. The policy decisions of the Provincial Government to further support the provision of low income housing on the western fringes of the municipality, in the absence of clear employment opportunities, is questioned.

We recommend that the Theewaterskloof LM enters into a conversation with the provincial authorities to provide housing elsewhere in the province closer to potential employment opportunities or at the very least reduce the level of service of infrastructure to affordable levels.

11.3. Advocate for the re-demarcation of Grabouw

The economy of TWK is not large enough to accommodate and employ ever increasing numbers of indigents. Grabouw in particular is identified as a town where investment in infrastructure and housing away from potential employment opportunities in Cape Town is questioned. The economy of TWK cannot afford ongoing migration of indigents and concomitant housing developments at Grabouw. Already the equitable share grants exceed the own revenues of the municipality. The MIG funds are barely enough to augment the bulk infrastructure and TWK cannot afford the implementation of social infrastructure in these areas. Future repairs and maintenance costs of the newly installed infrastructure will have to be carried by the rate payers of TWK who have their own needs for upgrading and replacement of infrastructure that cannot be afforded by them.

We recommend that the Theewaterskloof LM initiates a process of negotiations of incorporating Grabouw into the jurisdiction of the City of Cape Town, which is better resourced to address the needs of indigents.

11.4. Become ESKOM's Agent for Distribution of Electricity

The collection rate in the different towns (excluding rural areas) is highest in those towns where TWK provides the electricity, viz. no less than 91% (Riviersonderend) and a high of 98% (Caledon). In those towns where ESKOM is the direct distributor, the collection rate is as low as 43% (Genadendal) and not more than 78% (Botrivier). There is a direct correlation between electricity distributor and collection rate. Even more frustrating is the fact that the surplus on electricity in areas where TWK distributes is used to cross subsidise areas where ESKOM is the distributor.

We recommend that the Theewaterskloof LM explores the possibility, from a cost benefit perspective, of acting as agent for ESKOM in areas where ESKOM currently distributes electricity. The institutional arrangements will have to be negotiated collectively by participating in processes of SALGA.

SALGA and Eskom have committed to engage in a process of active partnering for the purpose of establishing a cooperative and collaborative working relationship which seeks to work towards bringing about the long term sustainability of electricity reticulation by addressing both electricity distribution industry issues in general, and the specific operational challenges impacting delivery of electricity to end users. A Partnering Agreement was signed in November 2014.

11.5. Prioritise Projects

In nominal terms the municipality can afford a 10-year capital investment programme of app. R580 million. The demand already exceeds this amount by more than R700 million.

Whereas the asset register provides guidance on the assets that need replacement, a clear prioritisation of future new infrastructure projects must be undertaken. The municipality should not neglect the replacement of its existing assets and a prioritisation should compare the need for new infrastructure with the need of replacing existing infrastructure.

Rationalising the prioritisation of projects can be achieved by introducing a model with decision making criteria and weighting each of these when comparing projects with each other. Typical criteria include:

- Meeting strategic objectives
- Meeting master plan objectives
- Project dynamics, viz. funding source, roll-over from previous years, etc.
- Project Consequence, viz. impact if project is not implemented
- Other criteria

11.6. Unlock the Balance Sheet by Selling Investment Property

The municipality holds R160 million worth of Investment Property on its balance sheet. We have modelled the sale of investment property, the proceeds of which will be applied towards capital expenditure.

We recommend that the municipality proactively pursues unlocking its balance sheet for purposes of capital investment through the sale of assets or promoting development opportunities, by leveraging off the land that it makes available for development at negotiated terms.

11.7. Improve Communication

Evidence suggests that developers who showed an interest to develop in the area were alarmed by recent community protests - a counterproductive action in the light of a potential economic stimulus.

Also, it is revealing to hear of an increase of economic activities in Botrivier. Examples of a retirement village, private industrial area, mushroom factory, paper packaging, the revitalisation of the PRASA railway line and events promoted by the local hotel are all indications of the potential for growing economic activities in the area.

We recommend that the Theewaterskloof LM communicates the positive stories that are happening in the region as well as the negative implications of counterproductive community protests.

11.8. Increase Tariffs to Fund the Capital Replacement Reserve (“CRR”)

The cash generated by the municipality currently is not sufficient to fund a CRR and whereas tariffs reflect the underlying cost structure, no provision is made in the tariff structure for the depreciation charge of assets.

Ageing infrastructure that would – but for the lack of funding – have been replaced already, lack of capacity of certain bulk infrastructure assets and pipe networks that are generally in a poor condition are constraining further development.

We recommend that tariffs are progressively increased to also include a depreciation charge that can be used to fund a cash backed CRR which in turn can be applied towards the funding of the replacement of ageing infrastructure. In the light of the relative low household income levels this should be attained through a judicious review of the tariff structure by charging high consumers progressively more per unit of consumption, than low consumers.

11.9. Adopt a Municipal Viability Framework

Healthy Liquidity is considered the key factor to effectively manage the financial viability of Theewaterskloof in the longer term in conjunction with the necessary financial ratios against which to monitor actual performance. The framework provided in paragraph 10 presents ratios within which to manage liquidity, operational performance and external gearing. The indicators provided are interrelated as the weakness in one could be the reason another is limited and therefore the combined performance in terms of all indicators needs to be considered to actively monitor financial performance and against these indicators the turn-around in performance can be measured and reported on to Management, Council and key stakeholders.

We recommend that the municipality adopt the proposed Municipal Viability Framework for quarterly reporting to the Executive Council and Management.

11.10. Adopt a Liquidity Policy

We recommend that Theewaterskloof LM adopts a Liquidity Policy (a draft of which is included in Annexure 6 hereto), that in essence requires the municipality to:

11.10.1. Maintain a quick liquidity ratio of at least 1:1.

11.10.2. Maintain a cash backed liquidity reserve of at least one month's operational expenses in addition to maintaining reserves for unspent conditional grants, short term provisions and cash backed reserves.

11.10.3. Sufficient provisions need to be made in cash for the escalation in short term provisions for employee benefits.

11.11. Adopt a Borrowing, Funds and Reserves Policy

We recommend that Theewaterskloof LM adopts a Borrowing, Funds and Reserves Policy that in essence requires the municipality to:

11.11.1. We recognise that the cash position of the municipality will in the short term prevent funding a Capital Replacement Reserve ("CRR"), but we recommend that the municipality adopts the objective - and work towards annually transferring to the cash backed CRR the sum of Depreciation Charges, Proceeds of the Disposal of Capital Assets and Bulk Services Contributions as far as the sum hereof is cash funded.

11.11.2. Avoid depleting its CRR in any given financial year by annually allocating to the capital budget only 50% of the sum of the opening balance plus the current years contribution

11.11.3. Make prudent use of external gearing at a recommended level of 20% of Total Operating Revenue and no more than 30%.

11.12. Increase Revenues and Manage Expenses

The municipality will become increasingly dependent on transfers from National Government (viz. Equitable Share) due to the increasing indigent population. It is however essential that the municipality increases its own revenue by more than the CPI rate on average by (i) identifying new revenue sources, (ii) selling a greater quantity of services and (iii) increasing rates/tariffs[8].

The municipality manages its expenses prudently and we recommend that it ensures that annual increases are reflected in tariffs and fees.

We recommend that Theewaterskloof LM boosts the Financial Sustainability Steering Committee (“FSSC”) that it has set up to address cost saving measures and secure income for the municipality. The municipality should consider incentivising staff that suggest practical cost saving and revenue enhancing measures, including additional income sources.

11.13. Control over Salaries and Wages Budget

Notwithstanding the productivity of the administration as measured by the Salaries and Wages Bill per Capita and the organisational restructuring that is currently underway (refer to the SA Business Hub (Pty) Ltd investigation) it is essential to continuously explore saving on the Salaries and Wages Bill as this is the largest single expense item.

We recommend that management introduces strict control to avoid new positions being budgeted for and then not being filled and attempt to rationalise the staff complement continuously over the period of 10 years in an attempt to save on the Salaries and Wages Bill.

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[8] A concerted effort to improve the collection rates to at least 95% in Botrivier and those towns where TWK distributes electricity could generate an additional R3 million cash p.a. which could service additional debt of R20m which could be used for capital investment.

11.14. Make Provision for Rehabilitation of Land Fill Sites

It is expected that R30 million will be required to rehabilitate existing land fill sites in the next 10 years.

We recommend that the Theewaterskloof LM makes timeous provision for the rehabilitation expense.

11.15. Explore Alternative Funding Mechanisms

Notwithstanding the fact that there is no magic wand that would allow a significant increase in capital spending without an increase in revenues, regardless of the funding mechanism applied, it would be prudent for TWK to explore alternative funding mechanisms, especially in the light of (i) the front ended capex demand and (ii) the need for capex in the "Non-Grant" areas of the municipality.

11.15.1. In future, invitations for new debt should in addition to the plain vanilla amortising loans also invite proposals for refinancing and rescheduling of existing debt, longer tenors, back ended sculpting of capital repayments (long periods of capital grace periods) and even explore the appetite in the market for an interest payment moratorium. The municipality should however be prepared to demonstrate to potential lenders its intent to implement policies and strategies similar to those listed in these recommendations and offer security such as cession of certain revenue streams.

11.15.2. Affordability concerns and small scale of potential PPPs make the successful implementation of this model doubtful. However, the municipality may want to consider the appointment of a transaction advisor who will assess the alternatives in detail before approaching the market for proposals. The municipality is reminded of the regulatory processes that need to be followed in such an event.

Implementation of Recommendations

We also propose that our recommendations that the municipality agrees with are allocated to staff to implement as part of their key performance measures and that the Municipal Manager oversees this cross cutting "Project".

ANNEXURE 1: INDEPENDENT FINANCIAL ASSESSMENT AGAINST THE BACKGROUND OF THEEWATERSKLOOF LOCAL MUNICIPALITY'S DEMOGRAPHIC, ECONOMIC & HOUSEHOLD INFRASTRUCTURE SITUATION

[SEE SEPARATE DOCUMENT]

ANNEXURE 2: RESPONSE TO QUESTIONS RAISED AT THE PRESENTATION ON 3 OCTOBER 2014

For purposes of this note the data as published by iHS Global Insight's Regional Explorer Data Version 744 of 3 Jul 2014 ("ReX") is used. There may be minor difference between this version and the version used in the Independent Financial Assessment Report.

1. TWK maintains that there was a census undercount of 16% in the Western Cape. TWK expects the population figure to be higher and proposes that a higher population figure is used in the LTFP scenarios.

According to ReX the population for 2013 is given as:

Pop Group	National Total	Western Cape	Overberg DM	Theewaterskloof
African	42 286 733	2 020 044	69 703	28 889
White	4 628 988	912 716	47 927	9 792
Coloured	4 759 993	2 924 505	142 802	69 419
Asian	1 294 910	64 898	934	448
Total	**52 970 625**	**5 922 163**	**261 367**	**108 548**

The StatsSA mid-year population estimates, 2013 records the following population figures:

Pop Group	National Total	Western Cape
African	42 284 100	n/a
White	4 766 200	n/a
Coloured	4 602 400	n/a
Asian	1 329 300	n/a
Total	**52 982 000**	**6 016 900**

The StatsSA figures for the National Total exceed the ReX figures by 0.02% and the StatsSA figures for Western Cape exceed the ReX figures by 1.6%. We do not have access to the TWK StatsSA figures and rely on iHS to compile these for us. Based on the above we have no reason to believe that the population in the Western Cape was undercounted by 16%.

We will however consider the implication of a higher population in the scenario modelling.

2. Assess the impact of seasonal worker on unemployment

The Agriculture sector is different to other sectors in that informal employees in the sector are considered not economically active. (E.g. someone who collects water or firewood is not considered part of the economically active population.)

Depending on who they work for and how they are paid, seasonal workers will most likely be considered as ***formal workers***. However, because the numbers in the ReX data base are annual numbers, ReX makes a weighted adjustment of everyone employed in the year such that the number reported represents a seasonally smoothed, mid-year number. In other words, if a seasonal employee only works for one quarter of the year, he will be counted as contributing roughly 0.25 people to the employment of the region in the that year. This only works for seasonality, and not for underemployment. So if one single person works only 3 hours a day, for the entire year, they will still count as 1 person employed for the year.

One can therefore safely say that seasonal workers in the Agriculture sector in TWK are included in the Formal Employment numbers as a fraction of one person depending on the proportion of the year that that person is in employment.

3. What is the unemployment per area and seasonal worker trend?

It is only possible to make some estimate of seasonal workers on a provincial level, but not so on municipal and lower levels. This is entirely due to data constraints.

4. Explain the apparent inconsistency between the low income per capita and a reasonable unemployment rate

According to ReX, the annual per capita income (Rand, current prices) in 2013 was as follows:

Pop Group	National Total	Western Cape	Overberg DM	Theewaterskloof
African	26 594	27 650	21 883	20 961
White	199 726	217 473	179 746	180 512
Coloured	38 811	37 148	27 596	27 132
Asian	107 608	121 213	0	0
Total	**44 802**	**62 621**	**54 092**	**39 457**

The TWK per capita income for all population groups is lower than the National Total and Western Cape figures, and except for the White population group also lower than the figures in Overberg (and as indicated in our report also lower than the per capita income in the other municipalities of Overberg).

This is in large part due to the large percentage of employment in the Agriculture sector. Whereas Agriculture accounts for 30% of total employment in TWK the labour remuneration in the Agriculture sector constitutes only 16% of the total labour remuneration[9].

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[9] Labour remuneration measures the total amount paid out by firms to labourers working within the region. This amount is a total cost to company concept and includes worker's contributions to medical or pension schemes etc. This figure represents the total amount of production created by labour.

Economic Sector	Total No of People Employed (Formal & Informal)	Labour Remuneration R	Labour Remuneration per Employee R p.p. p.a.
1 Agriculture	12 822	403 444 307	31 465
2 Mining	18	4 244 256	230 906
3 Manufacturing	2 765	316 735 623	114 555
4 Electricity/Water	144	91 229 720	631 924
5 Construction	2 531	127 621 161	50 428
6 Trade	7 994	291 044 234	36 406
7 Transport	1 177	112 550 416	95 612
8 Finance	4 530	134 003 203	29 583
9 Community services	10 222	637 164 055	81 681
TOTAL	**42 204**	**2 118 036 975**	**50 186**

The number of Economically Active Population and Unemployed People for each of the population groups is presented in the table below:

Pop. Group	Population	Economically Active Population (EAP)	Unemployed People
African	28 889	14 776	2 935
White	9 792	3 929	225
Coloured	69 419	30 279	5 083
Asian	448	135	16
Total	**108 548**	**49 119**	**8 260**

The relationship between employed (formal and informal), unemployed and economically active population can best be explained by the relationship that follows. First some definitions:

Economically Active Population (EAP) = The economically active population (EAP) is defined as the number of people who are able, willing and who are actively looking for, work and who are between the ages of 15 and 65. It thus includes both employed and unemployed people. The ReX outputs only the strict definition of the EAP. The implication here is that people who have not recently taken active steps to find employment are not included in the measure. These people may (or may not) consider themselves unemployed. Regardless, they are counted as discouraged work seekers, and thus form part of the non-economically active population.

Employed and unemployed people who are

living in an area.

Formal Employment (FE) = Someone is formally employed if their *employment is registered in some way*. This employment can take place in a business, in the public sector, or in a nongovernmental organisation (NGO). A person in formal employment can be self-employed, an employer, an employee, or a working family member.

Employed population ***working*** in the formal sector in an area.

Informal Employment (IE) = Someone is informally employed if their *employment is not registered in some way*. This includes people who make things for sale, or render a private service. A person in informal employment can be employed, self-employed, an employee, or a working family member.

Employed population ***working*** in the informal sector in an area.

Unemployed (UE) = This number represents the total number of unemployed people in a region, according to the strict definition. In other words, it considers all people who are currently not working, but who are actively looking for work. It therefore excludes those who are not actively seeking work. These people, if they would like to work, are referred to as discouraged work seekers and form part of the non-economically active population.

Unemployed people ***living*** in an area**.**

Migratory Employed (ME) = Net number of people living in an area but employed elsewhere.

The relationship between these people is then as follows:

FE + IE = EAP –UE – ME
ME = EAP – UE – FE – IE

Where:

FE = 37 318
IE = 4 886
UE = 8 260
EAP = 49 119

Thus:

ME = -1 345

The negative sign for migratory employment indicates that there are more people living in TWK that are either formally or informally employed than employment opportunities available in TWK. This implies that there are more people living in TWK and working elsewhere than people living elsewhere and working in TWK. This net figure is 1 345 people.

Unemployment Rate = The unemployment rate represents the number of people that are unemployed (according to the strict definition) that are living in a region, taken as a percentage of the economically active population of that region. The strict definition of unemployment considers all people who are currently not working, but who are actively looking for work. It therefore excludes those who are not actively seeking work. These people, if they would like to work, are referred to as discouraged work seekers and form part of the non-economically active population.

The unemployment rate accordance to the strict definition is then:

Unemployment Rate = UE / EAP
= 8 260 / 49 119
= 16.8%

Had those people living in TWK but working elsewhere been included in the figure of the unemployed, the unemployment rate would have increased to 20%.

Many people are working, i.e. (i) large numbers in the Agriculture sector where the remuneration is lower than in most other sectors and (ii) also working outside of TWK. This explains the relatively “good” unemployment rate but a relatively low income per capita.

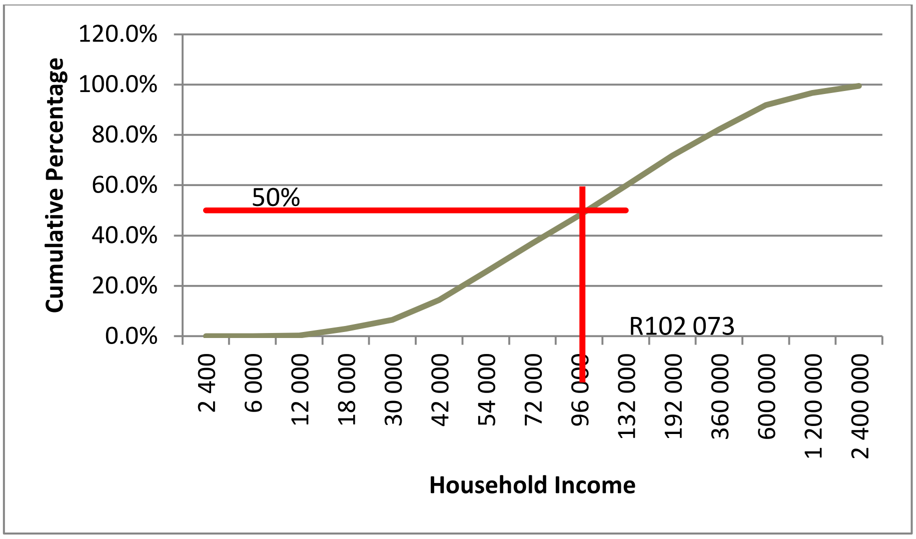
5. Investigate the average income

If one were to divide the total personal income of an area by the total number of households within the area one would obtain the average “per household income”. Annual total personal income is the total personal income for all households in the region summed together.

Pop Group	Annual per household income (Rand, current prices)
African	69 896
White	460 040
Coloured	110 272
Asian	0
Total	**144 225**

The average annual household income in TWK for all population groups in 2013 was R144 225.

The median income for TWK in 2013 was R102 000 p.a., i.e. 50% of households earned less and 50% more. The cumulative annual household distribution is presented below.



6. How does iHS determine the tourism spend

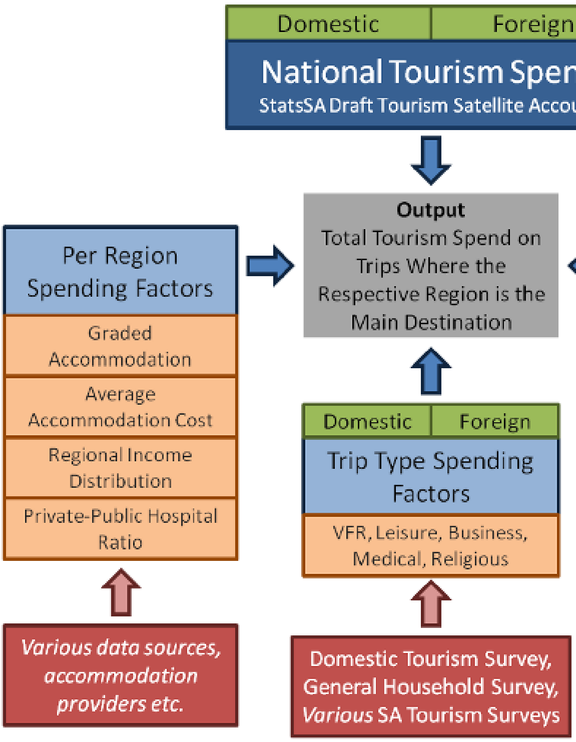
The Tourism Spend model combines a **top down** and **bottom up** approach methodology.

The top down approach requires that all figures are balanced to the StatsSA Draft Tourism Satellite Accounts, which are prepared for both foreign and domestic tourists, and thus allows balancing of the spending separately as such.

The bottom up approach is built on the starting assumption that the more bed nights an area receives, the more spending is carried out on trips where that area is the main destination of the trip.

This assumption is relaxed to account for the fact that even in areas that receive the same amount of bednights, different spending patterns will prevail. These different spending patterns are determined by the various different costs of taking a trip and depend on the type of trips made to that region in particular, as described in detail below.

The top blue block above represents the two different tourism spending figures calculated by StatsSA; for foreign and domestic tourism respectively. This allows us to balance the total foreign and domestic spend to the appropriate figure. The right hand blue block represents the base assumption that more bednights in a region result in more spending on trips to that region, whereas the left blue block represents the various tourism related spending patterns that are used to adjust the base assumption. This data is sourced from various data providers.


Domestic
Foreign
National Tourism Spend
StatsSA Draft Tourism Satellite Account
Output
Total Tourism Spend on Trips Where the Respective Region is the Main Destination
Output Bednights per Region
Per Region Spending Factors
Graded Accommodation
Average Accommodation Cost
Regional Income Distribution
Private-Public Hospital Ratio
Domestic
Foreign
Trip Type Spending Factors
VFR, Leisure, Business, Medical, Religious
Various data sources, accommodation providers etc.
Domestic Tourism Survey, General Household Survey, Various SA Tourism Surveys

The bottom blue block represents the adjustment that accounts for the fact that different types of trips typically result in different spending behaviour, with data obtained from various demand side tourism-related surveys.

7. In which economic sector is the casino classified and what was its impact on the local economy?

The Standard Industrial Classification ("SIC") coding system categorises gambling under sector 9649 (Other recreational activities), which is under the 94-99 Division of activities in the ReX interface.

Division	Major Group	Group	Title of Category
94			Other community, social and personal service activities
	940		Sewage and refuse disposal, sanitation and similar activities
95			Activities of membership organisations n.e.c.
	951		Activities of business, employers' and professional organisations
	952		Activities of trade unions
	959		Activities of other membership organisations
96			Recreational, cultural and sporting activities
	961		Motion picture, radio, television and other entertainment activities
	962		News agency activities
	963		Library, archives, museums and other cultural activities
	964		Sporting and other recreational activities
		9641	Sporting activities
		9649	Other recreational activities This group includes all activities related to recreation not classified elsewhere under this division. This includes casting activities for motion pictures, television productions or theatre productions, the activities of booking agencies at which bookings are made for films, theatrical productions or other entertaining attractions, the recording or taping of sound (music, etc.) on a fee or contract basis; the activities of recreation parks and beaches (including the renting of facilities such as bathhouses, lockers, chairs, etc.), activities related to recreational fishing, ***gambling and betting activities***, fairs and shows of a recreational nature, recreational transport facilities (e.g. cableway transport at sightseeing places), etc.
99	990		Other service activities

Due to the extensive list of service activities in the category 94-99 (see table below) it is not possible with the information at our disposal to extract gambling exclusively.

However, we estimate that the structural change in the economy if the casino were to close will have the following once off impact:

Decline of the economy	= 0.6% p.a. in the year of closure
Direct & indirect jobs lost	= 340
Population decline	= 1.1%

We doubt that this will happen all at once, however. It is more probable that the casino may close but that the hotel may carry on operating, albeit at a much lower occupancy rate. The combined impact will therefore be lower than our estimate.

8. Include the Illiteracy rate

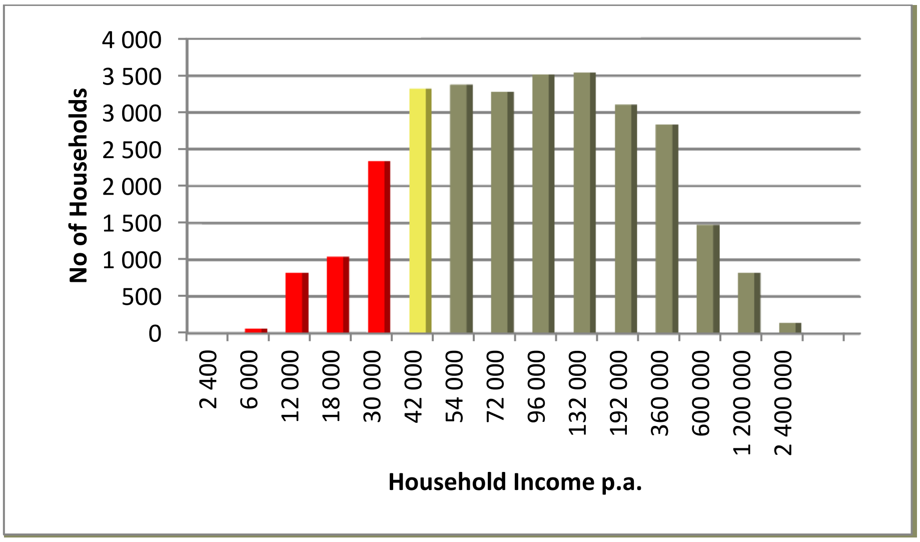
The Functional literacy rate of the population in TWK, i.e. people aged 15+ and who completed grade 7 or higher is as follows for the different population groups:

Pop Group	% Literate
African	78.0%
White	99.0%
Coloured	80.0%
Asian	89.6%
Total	**81.4%**

9. According to StatsSA the TWK indigent population is 53% but our report indicates a level of 15%. Why the difference?

We will look at this from different angles.

Firstly, as illustrated in the graph below, which presents the distribution of households for different categories of annual household income, the percentage of households qualifying for equitable share based on the household income is between **14% and 26%**.



Secondly, the number of people in poverty[10] according to ReX is as presented in the table below for the different population groups. The total number of people is 37 656. As a percentage of the total population of 108 548 this represents 35%.

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[10] The number of people in poverty is the number of people living in households that have an income less than the poverty income. The poverty income is defined as the minimum monthly income needed to sustain a household and varies according to the size of that household. The larger the household, the larger the income required to keep its members out of poverty. This measure allows for economies of scale within larger households. In 2011 the minimum monthly income for a household of 4 was R2 658 p.m.

Population Group	**No of People in Poverty**
African	13 917
White	338
Coloured	23 378
Asian	23
Total	**37 656**

One would expect that people living in poverty would live in households with more people per household than the average household size for that population group. Poor households as a percentage of total households are therefore expected to be less than 35%.

StatsSA has determined the South African Multidimensional Poverty Index (“SAMPI”)[11]. This index is a multidimensional measure that seeks to incorporate a range of indicators to capture the complexity of poverty, and thus provides a more robust tool to better inform programmes and policies designed to fight it.

The dimensions used in this study are the following.

Dimension	Indicator	Weight	Deprivation Cut Off
Health	Child mortality	1/4	If any child under the age of 5 has died in the past 12 months
Education	Years of schooling	1/8	If no household member aged 15 or older has completed 5 years of schooling
	School attendance	1/8	If any school-aged child (aged 7 to 15) is out of school
Standard of living	Lighting	1/28	Fuel for lighting If household is using paraffin/candles/nothing/other
	Heating	1/28	If household is using paraffin/wood/coal/dung/other/none
	Cooking	1/28	If household is using paraffin/wood/coal/dung/other/none
	Water	1/28	If no piped water in dwelling or on stand
	Sanitation	1/28	If not a flush toilet
	Dwelling	1/28	If an informal shack/traditional dwelling/caravan/tent/other
	Assets	1/28	If household does not own more than one of radio, television, telephone or refrigerator and does not own a car
Economic activity	Unemployment (all adults)	1/4	If all adults (aged 15 to 64) in the household are unemployed

The SAMPI score is derived from the product of the headcount, known as H (the proportion of households defined as multidimensionally poor using the poverty cut-off) and the intensity of the poverty experienced, known as A (defined as the average proportion of indicators in which poor households are deprived).[12] These poverty measures are detailed in the following table for census 2011.

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[11] http://beta2.statssa.gov.za/publications/Report-03-10-08/Report-03-10-082014.pdf

[12] To try and contextualise the SAMPI score, it should be noted that in an extremely poor society where all households were poor and were deprived in all indicators, the SAMPI score would be 1,0.

Geography	Headcount (H)	Intensity (A)	SAMPI (HxA)
South Africa	8,0%	42,3%	0,03
Western Cape	3,6%	42,6%	0,02
TWK	3.7%	41.9%	0.02

We conclude that the percentage of indigent households is not less than 14% and not more than 35% and ***most probably between 15% and 25%*** of total households.

However, in an impoverished society where 50% of households were poor and experienced deprivation on 50% of all dimensions, the SAMPI score would be 0,25.

ANNEXURE 3: BASE CASE SUMMARY PROJECTED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE	1	2	3	4	5	6	7	8	9	10
R '000 000	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Revenue										
Property rates	62.49	66.55	70.87	75.48	80.39	85.61	91.18	97.10	103.42	110.14
Equitable Share	62.48	68.14	73.25	78.74	84.64	90.98	97.79	105.12	113.00	121.47
Interest Income	0.36	1.31	1.43	1.55	1.66	1.79	1.93	2.07	2.23	2.41
Income electricity services	72.91	76.79	82.52	88.68	95.30	102.41	110.05	118.26	127.09	136.57
Income water services	40.14	46.09	49.62	53.41	57.49	61.89	66.62	71.71	77.20	83.10
Agency Services	2.33	2.48	2.64	2.82	3.00	3.19	3.40	3.62	3.86	4.11
Other service charges and income	85.06	86.35	91.31	98.17	107.23	118.59	132.17	147.99	167.01	189.73
Total Revenue	325.76	347.72	371.64	398.84	429.71	464.46	503.14	545.89	593.81	647.51
Expenditure										
Salaries, wages and allowances	-149.19	-164.31	-179.66	-193.13	-207.62	-223.19	-239.93	-257.93	-277.27	-298.06
Expenditure electricity services	-45.24	-49.04	-53.15	-57.61	-62.45	-67.69	-73.38	-79.54	-86.22	-93.45
Expenditure water services	-9.41	-10.20	-11.06	-11.94	-12.90	-13.93	-15.04	-16.25	-17.54	-18.95
Repairs and maintenance	-19.67	-21.11	-22.35	-24.13	-26.07	-28.15	-30.40	-32.84	-35.46	-38.30
General expenses	-41.89	-48.05	-52.83	-56.80	-61.06	-65.63	-70.56	-75.85	-81.54	-87.65
Total Expenditure	-265.41	-292.71	-319.05	-343.62	-370.09	-398.60	-429.31	-462.39	-498.03	-536.42
EBITDA	60.36	55.01	52.60	55.22	59.62	65.86	73.83	83.50	95.78	111.10
Interest on Long Term Debt	-12.21	-11.40	-10.80	-10.72	-11.07	-11.45	-13.70	-15.63	-17.60	-19.19
Interest BB/[OD]	1.74	0.00	0.00	0.00	0.01	0.02	0.03	0.05	0.06	0.08
Depreciation	-22.50	-22.90	-23.25	-23.59	-24.19	-25.04	-26.10	-27.81	-29.60	-31.58
Surplus/Deficit	**27.39**	**20.70**	**18.54**	**20.92**	**24.37**	**29.39**	**34.06**	**40.11**	**48.63**	**60.40**

STATEMENT OF FINANCIAL POSITION	1	2	3	4	5	6	7	8	9	10
R '000 000	**30-Jun-15**	**30-Jun-16**	**30-Jun-17**	**30-Jun-18**	**30-Jun-19**	**30-Jun-20**	**30-Jun-21**	**30-Jun-22**	**30-Jun-23**	**30-Jun-24**
Current Assets										
Receivables	39.88	42.56	45.49	48.82	52.61	56.87	61.61	66.86	72.73	79.32
Investment for Liquidity	22.12	25.61	28.00	30.17	32.50	35.00	37.70	40.61	43.74	47.11
Investment for CRR	1.66	0.42	0.11	0.03	0.01	0.00	0.00	0.00	0.00	0.00
Cash in Bank	0.00	0.00	0.06	0.14	0.31	0.54	0.82	1.13	1.50	1.98
Fixed Assets										
Property Plant & Equipment	654.38	664.36	673.88	691.16	715.44	745.58	794.62	845.80	902.34	966.22
Investment Property	158.51	158.51	158.51	156.51	154.51	152.51	150.51	148.51	148.51	148.51
Total Assets	**876.54**	**891.47**	**906.06**	**926.84**	**955.38**	**990.50**	**1 045.27**	**1 102.90**	**1 168.82**	**1 243.14**
Current Liabilities										
Creditors	21.81	24.06	26.22	28.24	30.42	32.76	35.29	38.00	40.93	44.09
Bank Overdraft	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ST Non-Interest Bearing Liabilities	13.90	13.90	13.90	13.90	13.90	13.90	13.90	13.90	13.90	13.90
Long Term Liabilities										
LT Interest Bearing	109.34	101.19	94.93	92.62	94.45	97.66	115.65	130.24	144.39	154.91
LT Non-Interest Bearing Liablities	42.73	42.73	42.73	42.73	42.73	42.73	42.73	42.73	42.73	42.73
Accumulated Surplus & Reserves	688.75	709.59	728.27	749.34	773.88	803.45	837.70	878.02	926.87	987.52
Total Liabilities	**876.54**	**891.47**	**906.06**	**926.84**	**955.38**	**990.50**	**1 045.27**	**1 102.90**	**1 168.82**	**1 243.14**

CASH FLOW STATEMENT	1	2	3	4	5	6	7	8	9	10
R '000 000	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Cash In										
Surplus / [Deficit]	27.39	20.70	18.54	20.92	24.37	29.39	34.06	40.11	48.63	60.40
Add Depreciation	22.50	22.90	23.25	23.59	24.19	25.04	26.10	27.81	29.60	31.58
Deduct Impairment	-26.06	-27.58	-29.43	-31.57	-34.04	-36.85	-40.00	-43.51	-47.47	-51.95
Redeem Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Proceeds from Sale of Assets	0.00	0.00	0.00	2.00	2.00	2.00	2.00	2.00	0.00	0.00
Capital Grants	26.10	27.71	29.58	31.73	34.21	37.03	40.19	43.71	47.69	52.19
Other Capital Contributions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LT Debt Raised	0.00	0.00	2.00	7.00	12.00	13.00	30.00	29.00	32.00	32.00
Total Cash In	**49.92**	**43.74**	**43.94**	**53.66**	**62.73**	**69.61**	**92.35**	**99.13**	**110.46**	**124.23**
Cash Out										
Invest in PPE	-34.12	-32.88	-32.77	-40.86	-48.48	-55.17	-75.14	-78.99	-86.14	-95.46
Invest in Cash Backed Reserves	-17.27	-2.26	-2.07	-2.10	-2.31	-2.50	-2.70	-2.90	-3.13	-3.37
Working Capital	-22.53	-0.44	-0.76	-1.31	-1.61	-1.92	-2.22	-2.52	-2.95	-3.44
LT Debt Repaid	-7.72	-8.15	-8.26	-9.31	-10.17	-9.79	-12.01	-14.40	-17.86	-21.48
Total Cash Out	**-81.64**	**-43.74**	**-43.87**	**-53.58**	**-62.56**	**-69.37**	**-92.07**	**-98.83**	**-110.08**	**-123.75**
Net Cashflow	-31.72	0.00	0.06	0.07	0.17	0.23	0.28	0.30	0.38	0.48
Bank Balance	0.00	0.00	0.06	0.14	0.31	0.54	0.82	1.13	1.50	1.98

ANNEXURE 4: ASSETS EARMARKED FOR REPLACEMENT

The asset register of the municipality was analysed mechanistically (without engineering judgement) and a replacement schedule of the Annual Replacement Cost of different asset classes was determined. This was done with reference to the "Useful Life" of an asset and its "Remaining Period" as recorded in the asset register. The values in the Table 3.1 below are in nominal Rand values, escalated to the date of replacement.

TABLE 3.1: ANNUAL ASSET REPLACEMENT COST, RM NOMINAL

		1	2	3	4	5	6	7	8	9	10
	Total	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Infrastructure											
Water	101.9	0.0	0.0	0.0	0.0	0.0	98.0	0.5	0.0	3.0	0.4
Sanitation	3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	0.0	0.0
Roads*	1 165.2	0.0	0.6	0.0	23.2	174.8	2.4	0.1	150.1	2.4	811.5
Stormwater	9.7	0.0	0.0	0.0	0.0	0.7	9.0	0.0	0.0	0.0	0.0
Solid Waste	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3
Electricity	5.4	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0	3.4	0.0
Movable Assets											
Ander	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Begraafplase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gereedskap	6.0	0.0	0.9	0.0	0.0	0.4	0.3	1.2	0.0	1.2	2.0
Kantoor toerusting	2.9	0.0	0.2	0.0	0.0	1.5	0.1	0.3	0.0	0.5	0.2
Meubels	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.2	1.4	0.0	0.0
Office Equipment (Lease)	0.9	0.1	0.0	0.0	0.3	0.3	0.0	0.0	0.0	0.1	0.0
Parke & Tuine	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rekenaar hardeware	4.5	0.0	0.4	0.0	0.0	0.6	1.1	0.6	0.0	1.0	0.8
Stoele	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.8
Tafels	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.7
Toerusting	6.7	0.0	0.9	0.0	0.0	1.8	0.6	1.6	0.5	1.3	0.0
Voertuie	1.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.5	0.2	0.0
Vragmotors, Trekkers, Bakkies en sleepwae	28.5	12.1	0.0	0.0	0.2	2.5	10.4	0.7	0.6	0.0	2.0
Intangible assets											
Software	6.0	0.4	0.0	0.6	0.5	1.1	2.3	0.1	0.7	0.1	0.3

	Total	1 2015	2 2016	3 2017	4 2018	5 2019	6 2020	7 2021	8 2022	9 2023	10 2024
Buildings											
Buildings**	67.2	4.98	5.30	5.65	6.01	6.41	6.82	7.27	7.74	8.24	8.78
Total ARC (Rm)	**1 412.9**	**17.5**	**8.4**	**6.6**	**30.2**	**190.2**	**133.0**	**13.0**	**164.7**	**21.6**	**827.8**

*The cost of replacement of roads amounts to R1 165 million (nominal) over the next 10 years, of which roads in an undisclosed location (“Suburb”) to the value of R811million is earmarked for replacement in 2024. This amount was reduced for purposes of this assessment, in that only 30% of the annual replacement cost during the 10 years of Roads was included in the total annual replacement cost.

**It was assumed that 10% of the replacement cost of buildings would actually be replaced over a period of 25 years.

ANNEXURE 5: NEW CAPITAL INVESTMENTS

Table below presents an estimate of the New Infrastructure Demand for the next 10 years and is based on the document *Theewaterskloof Municipality: Major Infrastructure Requirements and Funding Overview*; Western Cape Government; Second Generation: 30 July 2014.

The values are in R million.

Type e.g. Water	**Project Description**	**Total**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
	Caledon											
Roads & SW	Upgrade roads, Side Saviva	0.106	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Roads & SW	Upgrade streets	0.708	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Roads & SW	Construct new road between Access & Schevonnes streets	2.761	0.9	0.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Storm water	Upgrade storm water systems	1.308	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Storm water	Upgrade storm water systems (streets)	1.896	0.4	0.4	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0
Sanitation	Upgrade Waste Water Treatment Works	47.360	15.8	15.8	15.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sanitation	Upgrade Bulk sewer, Phase I	10.000	3.3	3.3	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sanitation	Upgrade Bulk sewer, Phase II	24.000	0.0	0.0	0.0	8.0	8.0	8.0	0.0	0.0	0.0	0.0
Sanitation	Replace sewer network	2.410	0.6	0.6	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Sanitation	New sewage infrastructure to	2.602	0.0	0.9	0.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0

Type e.g. Water	Project Description	Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	support Santa housing (C6, C7-C11) developments											
Sanitation	Upgrading of sub-station and pumps at WWTW	0.280	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Infrastructure to unlock Blue Crane development (C13), including PS, rising main, reservoir, supply lines	11.359	0.0	3.8	3.8	3.8	0.0	0.0	0.0	0.0	0.0	0.0
Water	Infrastructure to augment supply to Badskop (support to Blue Crane development), including reservoirs, rising main	11.335	3.8	3.8	3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Infrastructure to augment supply to Natuurtuin reservoirs, interconnection pipes, reinforcement pipes and flow control valves	4.613	0.0	0.0	2.3	2.3	0.0	0.0	0.0	0.0	0.0	0.0
Water	New infrastructure to support Overberg Agri and Santa housing developments.	6.182	1.5	1.5	1.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Water	Upgrade water supply lines between	0.846	0.0	0.0	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0

Type e.g. Water	Project Description	Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Natuurtuin reservoir and main town											
Water	Replace water reticulation system	1.380	0.3	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Water	Rehabilitate bulk pump station	0.250	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sport	Sport Centre at Middleton	0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	New sub-station, Bergsig	1.316	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Replace transformer, Industrie street	1.200	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Replace transformer/switches, Human & van Riebeeck streets	0.650	0.0	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Upgrade switch station at cemetery	0.700	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	New 66/11 KV sub-station	75.000	0.0	25.0	25.0	25.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	New sub-station at Casino	32.500	0.0	10.8	10.8	10.8	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Reticulation for new erven at Bergsig	3.500	1.8	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Reticulation & upgrading of infrastructure: Housing at Santa	1.867	0.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Reticulation & upgrading of	7.100	0.0	0.0	0.0	2.4	2.4	2.4	0.0	0.0	0.0	0.0

Type e.g. Water	Project Description	Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	infrastructure: Housing at Uitsig Extension											
Electricity	Installation of cable between Aandblom & Veldblom sub-stations	2.667	1.3	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Street lighting, Site Saviva	1.750	0.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Environmental	Extension of cemetery	2.200	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.0	0.0	0.0
		0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Grabouw	0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Upgrade Bulk Water supply, Phase V	4.367	4.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	New water reticulation system, Areas G12,13, 14 & 15 (small holdings)	5.833	2.9	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	New water reticulation system, Area G6 (Hillside)	0.822	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	New water reticulation system, Areas G7 & G8 (Dennekruin)	0.991	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	New water reticulation system, Areas G9, 20 & 21 (Water works RDP)	0.626	0.0	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Replace water reticulation systems	1.603	0.3	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Sanitation	Upgrade Waste Water Treatment Works	39.000	13.0	13.0	13.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sanitation	Eradication of septic	6.257	0.0	0.0	3.1	3.1	0.0	0.0	0.0	0.0	0.0	0.0

Type e.g. Water	Project Description	Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	tanks, Berg & Boord, Klipkop area											
Sanitation	New sewage reticulation system, Palmiet bridge area	5.000	0.0	0.0	0.0	0.0	1.3	1.3	1.3	1.3	0.0	0.0
Sanitation	Replace sewer network	2.640	0.7	0.7	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Roads & SW	Upgrade Bus routes	2.200	0.4	0.4	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0
Roads & SW	Upgrading of streets	2.873	0.6	0.6	0.6	0.6	0.6	0.0	0.0	0.0	0.0	0.0
Storm Water	Upgrade storm water system, Rooidakke	2.315	0.6	0.6	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Storm water	Upgrading of storm water systems	3.470	0.7	0.7	0.7	0.7	0.7	0.0	0.0	0.0	0.0	0.0
Environmental	Extension of cemetery	1.333	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	High mast lighting, Grabouw	5.000	1.3	1.3	1.3	1.3	0.0	0.0	0.0	0.0	0.0	0.0
		0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Villiersdorp	0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Upgrade Water Treatment Works	0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	New High reservoir, pump station & rising main line (development related)	9.500	0.0	0.0	0.0	2.4	2.4	2.4	2.4	0.0	0.0	0.0
Water	New bulk supply line	0.150	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Replace water reticulation system	1.612	0.3	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Water	New Water infrastructure (pipe lines, reservoir) to	60.400	12.1	12.1	12.1	12.1	12.1	0.0	0.0	0.0	0.0	0.0

Type e.g. Water	Project Description	Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	unlock V12 development											
Water	New water infrastructure (pipe lines) to unlock V1 development	0.447	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	New PS at 19 Damme (reservoir, rising main, etc)	6.266	1.6	1.6	1.6	1.6	0.0	0.0	0.0	0.0	0.0	0.0
Water	New water infrastructure to unlock V6, V7 & V8 developments	5.111	2.6	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sanitation	Upgrade Waste Water Treatment Works	11.667	11.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sanitation	New sewage reticulation system, RDP housing	1.819	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sanitation	Replace sewer network	1.880	0.5	0.5	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Storm water	Upgrade storm water systems	1.819	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.0
Roads	Upgrade streets	1.533	0.4	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Replace switch station, MS Industry	0.650	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Replace switch station, Viljoens Engineering	0.650	0.0	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Move main sub-station to Ham street	2.000	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Upgrade supply to Destiny Farm	1.500	0.8	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Type e.g. Water	Project Description	Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Electricity	Reticulation system: Housing at Destiny Farm	5.000	0.0	0.0	1.3	1.3	1.3	1.3	0.0	0.0	0.0	0.0
Electricity	Electrification of 224 houses, Ou Sportgronde (Erf 24)	2.700	1.4	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Street lighting, Ou Sportgronde (Erf 24)	0.750	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Genadendal/Greyton	0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sanitation	New water-borne sewer network at Bereaville	14.670	4.9	4.9	4.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sanitation	Eradication of septic tanks, Greyton	7.950	2.0	2.0	2.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Sanitation	Replace sewage network, Genadendal	0.840	0.2	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Sanitation	New sewer link, Bereaville	11.400	3.8	3.8	3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Upgrade Water Treatment Works at Greyton	0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Develop Maermanskloof water source, Greyton	0.400	0.0	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Water	New Boschmanskloof reservoir, Greyton	0.889	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Upgrade Boschmanskloof network, Greyton	0.804	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Water infrastructure for Development G15,	0.056	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Type e.g. Water	Project Description	Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Greyton											
Water	Water infrastructure for Development G12, Greyton	0.167	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Water infrastructure for Developments G17 & 18, Greyton	0.542	0.0	0.0	0.0	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Water	Upgrade Water Treatment Works at Genadendal	0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Upgrade bulk water supply at Genadendal	0.833	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Water source development, Genadendal	0.200	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Replace water reticulation system, Genadendal	1.341	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Water	Commissioning of bore hole at Bereaville	0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	New water treatment plant, Bereaville	0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	New weir and supply line, Bereaville	0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	New water treatment plant, Voorstekraal	0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Develop bore hole and supply line, Voorstekraal	0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Waste	New Solid Waste	2.110	1.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Type e.g. Water	Project Description	Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	transfer station											
Roads	Upgrade streets in Genadendal, Phase I	3.407	0.9	0.9	0.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0
Roads & SW	Upgrade streets in Greyton	1.047	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Storm water	Upgrade storm water system, Greyton	1.675	0.4	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Storm water	Upgrade storm water system, Genadendal	7.329	1.8	1.8	1.8	1.8	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Upgrade network, Hoof street, Greyton	0.800	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Upgrade 500 KV mini-substation, Hoof street, Greyton	0.372	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Replace part of 11 KV line at cemetery, Greyton	0.300	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Upgrade network, Oak street, Greyton,	1.080	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Complete ring feed, van Schalkwyk street, Greyton	0.650	0.0	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Replace overhead line, Caledon street, Greyton	0.780	0.0	0.0	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Disaster Management	Rehabilitation, Scholtz River, Greyton	23.250	7.8	7.8	7.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Bot River	0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	New Water Treatment Works	11.600	2.9	2.9	2.9	2.9	0.0	0.0	0.0	0.0	0.0	0.0

Type e.g. Water	Project Description	Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water	New 2 Ml reservoir (development related)	7.500	0.0	0.0	2.5	2.5	2.5	0.0	0.0	0.0	0.0	0.0
Water	Replace reticulation system	0.833	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Water	Upgrade bulk water infrastructure, Industrial development	2.461	1.2	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Upgrade bulk water infrastructure, Beaumont development	1.575	0.5	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sanitation	Eradication of septic tanks	3.280	1.6	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Roads & SW	Upgrade streets, Phase I	2.246	0.6	0.6	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Storm water	Upgrade storm water systems	1.498	0.4	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
		0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Riviersonderend	0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Upgrade bulk water network	13.300	6.7	6.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Upgrade Water Treatment Works	0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Water infrastructure for RDP development	1.336	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Water	Water infrastructure for R3, R5, R10 & R11 developments	0.788	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Water network ring & interconnection for Business area	0.917	0.0	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0

Type e.g. Water	Project Description	Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water	Replace water reticulation system	1.355	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Sanitation	Upgrade Waste Water Treatment Works	4.000	0.0	0.0	2.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Sanitation	Upgrade main sewer pump station	0.340	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sanitation	New cloakroom at WWTW	0.200	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sanitation	New grids & aerator, WWTW	0.100	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sanitation	Replace sewage network	2.768	0.7	0.7	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Waste	New solid waste transfer station	2.000	0.7	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Roads	Upgrade streets in Oostergloed	1.980	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Roads	Upgrade streets in Gholf Town	0.135	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Roads	Upgrade streets	1.724	0.4	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Storm water	Upgrade storm water system	3.777	0.9	0.9	0.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0
Sport	Mini Sport Centre	2.500	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Upgrading of network, Voortrekker Street	0.420	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Complete ring feed, Hoof street, Phase 2	0.450	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Upgrade LV network	0.500	0.0	0.0	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	Electrification of RDP housing	1.260	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Type e.g. Water	Project Description	Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
		0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Other Areas (Rural)	0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	New reservoir at Tesselaarsdal	3.100	1.6	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Roads	Upgrade streets, Tesselaarsdal	0.344	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Storm water	Upgrade storm water system	0.477	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
	All areas/ systems	0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
O&M		0.000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water	Implement Water Conservation and Demand Management systems	2.917	0.6	0.6	0.6	0.6	0.6	0.0	0.0	0.0	0.0	0.0
Sanitation	Reduction of storm water ingress and groundwater infiltration	3.750	0.8	0.8	0.8	0.8	0.8	0.0	0.0	0.0	0.0	0.0
Sanitation	Shared services: Water quality laboratory in Grabouw	0.075	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL		**624.02**	**149.33**	**166.81**	**147.65**	**103.94**	**35.51**	**15.91**	**3.62**	**1.25**	**0.00**	**0.00**

In addition to the new infrastructure assets we added new vehicles and equipment as well as other moveable assets. These are in addition to the capex required to replace existing assets in each of these categories.

New Asset Category	Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total New Infrastructure Capex (Rm)	624.0	149.3	166.8	147.7	103.9	35.5	15.9	3.6	1.3	0.0	0.0
Vehicles & Equipment	5.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Various Other Moveable Assets	3.0	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total Constant (2013) New Capex	632.0	150.1	167.6	148.5	104.7	36.3	16.7	4.4	2.1	0.8	0.8
CPI		*1.13*	*1.21*	*1.29*	*1.37*	*1.46*	*1.55*	*1.65*	*1.76*	*1.88*	*2.00*
Total Nominal New Capex	800.2	170.3	202.5	191.0	143.5	53.0	26.0	7.3	3.6	1.5	1.6

ANNEXURE 6: DRAFT LIQUIDITY POLICY

[SEE SEPARATE DOCUMENT]

ANNEXURE 7: BORROWING, FUNDS AND RESERVES POLICY

[SEE SEPARATE DOCUMENT]

ANNEXURE 8: RENDERING DEBT COLLECTION AND ADMINISTRATIVE SERVICES TO A MUNICIPALITY

[SEE SEPARATE DOCUMENT]